

Chesebrough-Pond's Inc.

Annual Report 1978

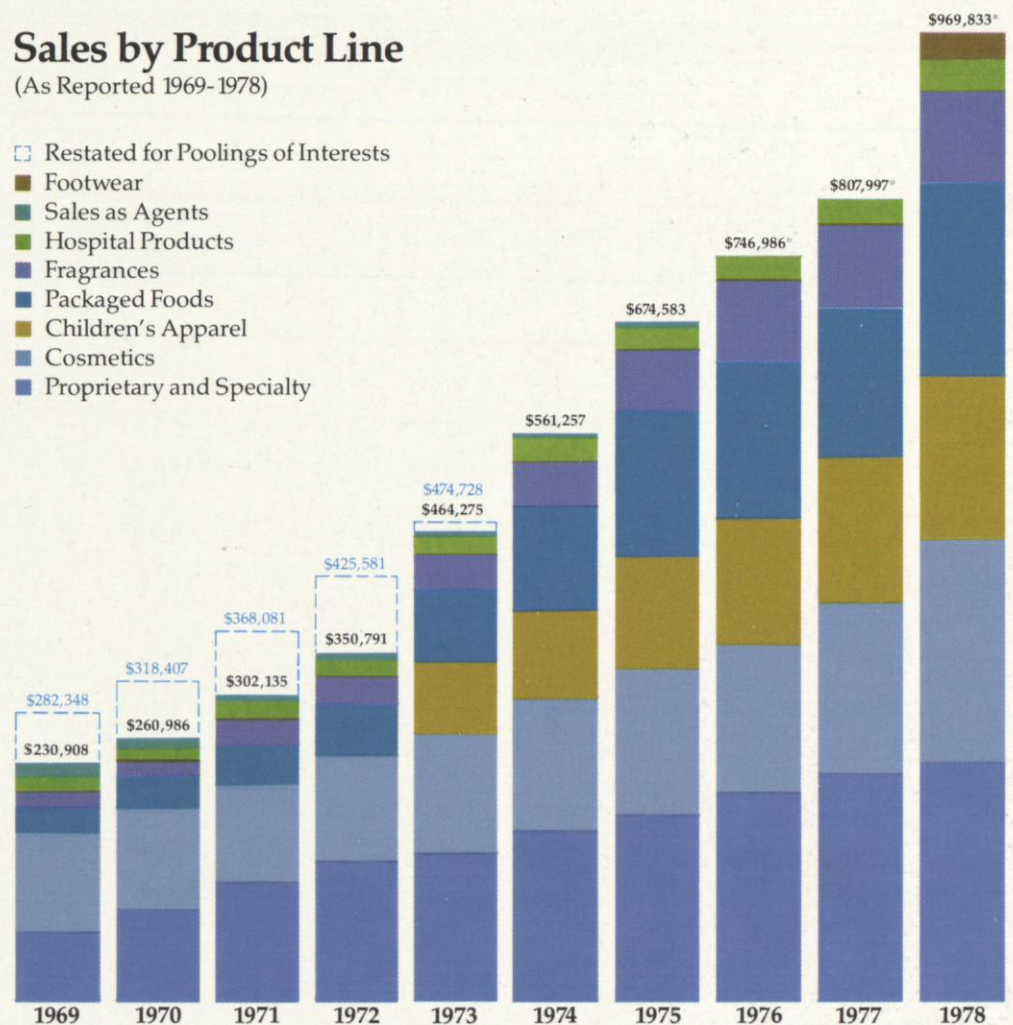




Sales by Product Line

(As Reported 1969-1978)

- Restated for Poolings of Interests
- Footwear
- Sales as Agents
- Hospital Products
- Fragrances
- Packaged Foods
- Children's Apparel
- Cosmetics
- Proprietary and Specialty



* Sales as Agents accounted for less than 1 per cent of the total in 1976, 1977, and 1978.

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The past decade has brought dramatic change to Chesebrough-Pond's. Long known as an international business specializing in the health and beauty field, the Company has continued to flourish in its traditional areas while becoming a truly diversified manufacturer and marketer of consumer products for the entire family. Today the Company's product range extends to packaged foods, children's apparel, cosmetics, footwear, proprietaries, toiletries, fragrances and health care. Its list of well known brand names, many the number one sellers in their product categories, includes Ragú, Adolph's, Health-tex, Bass, Weejuns, Vaseline, Pond's, Intensive Care, Cutex, Rave, Wind Song, Cachet, Aviance, Prince Matchabelli, Pertussin, Q-tips and Aziza.

Financial Highlights

	Year Ended December 31,		%
	1978	1977	Increase
Net Sales	\$969,833,000	\$807,997,000	20.0
Net Income	\$69,714,000	\$60,090,000	16.0
Earnings Per Share	\$2.16	\$1.86	16.1
Dividends Per Share	\$.94	\$.84	11.9
Current Ratio	2.7	2.9	(6.9)
Shareholders' Equity	\$391,132,000	\$350,851,000	11.5
Shareholders' Equity Per Share	\$12.12	\$10.88	11.4
Return on Shareholders' Equity	19.9%	19.0%	4.7
Weighted Average Shares Outstanding During Year	32,311,000	32,222,000	0.3
Number of Share- holders at Year-End	14,127	14,352	(1.6)
Number of Employees	18,517	16,678	11.0

To Our Shareholders:

The excitement that is generated when a corporation grows and innovates was greatly in evidence at Chesebrough-Pond during 1978.

The year saw the launching of significant new products, the enduring popularity of many established brands, the completion of an important acquisition and an increased commitment to research and development activities. As a direct result the Company achieved its 23rd consecutive year of record sales and earnings.

The accomplishments of 1978 round out a decade of consistent progress for Chesebrough-Pond's. Our business has expanded substantially, through internal development of new products, new marketing initiatives for established brands and a selective acquisition policy. On an historical basis sales and assets are more than five times the level reported in our 1968 Annual Report, while earnings have more than quadrupled. The number of Chesebrough-Pond's employees worldwide has grown from 7,200 to more than 18,500, and we have decentralized our organization structure to keep pace with the rapid and broad diversification of our business.

For 1978, consolidated worldwide sales increased 20 per cent from 1977 to a record \$970 million. Net income rose



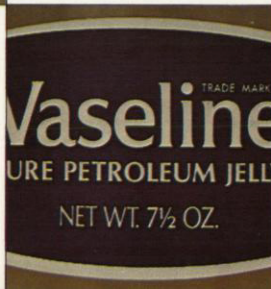
1969:
Addition of a
dynamic marketing
company in Milan,
Italy, created plat-
form for future
growth in Europe.



1970:
Vaseline petroleum
jelly completed 100
years as one of the
world's best known
consumer products.



1969:
Acquisition of Ragu
Packing Co. Inc.
took Chesebrough-
Pond's into pack-
aged foods for the
first time.



to a record \$69.7 million, an increase of 16 per cent, and earnings per share were \$2.16 compared with \$1.86 for 1977.

Our ratio of net income to sales, as expected, eased to 7.2 per cent in 1978 from 7.4 per cent in 1977, mainly as a result of heavy expenses associated with the introduction of new products. For example, advertising and promotional costs for new products in our Health and Beauty Products Division in 1978 ran more than 50 per cent ahead of 1977. For the Company as a whole, advertising and promotional expenses increased 26 per cent in 1978 over 1977.

All seven operating divisions contributed to the new sales record, with the International, G.H. Bass and Packaged Foods Divisions in particular showing outstanding growth. All divisions registered earnings increases except the Health-tex Division, which continued to experience production scheduling and inventory related problems. As 1978 ended, however, there were signs of improvement, and we expect increased profits, an improvement in profit margins and another record sales year from Health-tex in 1979.

Most of our established products

enjoyed good sales years in 1978. In addition, sales benefited from the national launching of two major new products by our Health and Beauty Products Division:

- *Pond's Cream & Cocoa Butter* lotion, a cosmetically oriented skin softening lotion which complements our more therapeutically positioned *Vaseline Intensive Care* lotion, was introduced in the first quarter of 1978, and sales results thus far have surpassed our original expectations.

- *Rave* soft perm, the first odorless home permanent, was introduced toward the end of the second quarter of 1978 and captured a 27.3 per cent share of the market in its first six months on retail shelves across the country, establishing it as the number two brand nationally and number one in some areas of the country. Moreover, *Rave* soft perm has been largely responsible for a 68 per cent growth in the home permanent market, which had been flat in recent years. *Rave* soft perm may very well be the most important new product developed by the Health and Beauty Products Division since *Vaseline Intensive Care* lotion in 1970. We expect it to be a major contributor to sales and profits in 1979.

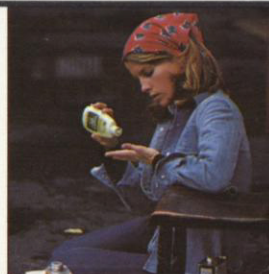
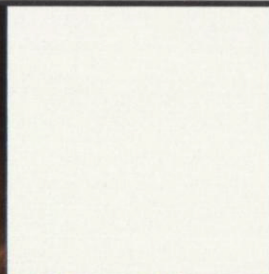
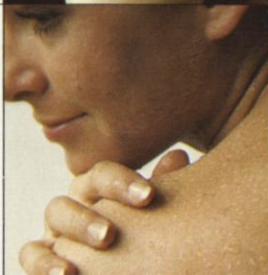
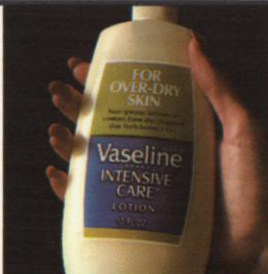
Expansion through selective diversification can offer many opportunities for

us when the acquisition meets our standards for profit margins, growth potential, financial condition and a reputation for product quality. Accordingly, on July 31, 1978, we completed the acquisition of G. H. Bass & Co. of Wilton, Maine, for \$27 million in cash. G.H. Bass is one of the nation's leading manufacturers of casual footwear, including the popular *Weejuns* loafer. Its product lines fit well with our corporate philosophy of marketing high-quality, popular-priced products under well established brand names.

In spite of growing competition from foreign imports, G.H. Bass has achieved outstanding growth in sales and earnings over the past few years and enjoys great consumer trust and popularity. Full-year sales for G.H. Bass in 1978 were \$59 million, an increase of 55 per cent from 1977. Since this acquisition was treated as a purchase for accounting purposes, only results for the last five months of 1978 are included in the consolidated statements for the year.

While our tradition of consistent sales and earnings growth has been maintained, acquisitions have dramatically changed the composition of the Com-

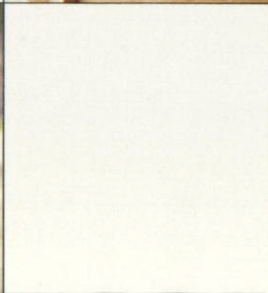
1970:
Vaseline Intensive Care lotion and sachet fragrance were launched.



1972:
Vaseline Intensive Care lotion became America's top-selling lotion.



1972:
Trumbull, Connecticut, R&D facility was opened, increasing new product capabilities.



1972:
Corporate headquarters was relocated to Greenwich, Connecticut.



pany over the past ten years. In 1968, Chesebrough-Pond's was essentially a health and beauty products company. With the acquisitions of Ragu (1969), Health-tex (1973), Adolph's (1974) and Bass (1978), and their subsequent development and growth, these new businesses added in the past decade now account for 38 per cent of sales and 46 per cent of operating profits.

As we review our 1978 performance division-by-division, we will place that performance in the perspective of the past decade of change. I think you will be interested in the corporate portrait that emerges.

Our International Division experienced one of the most outstanding years in its history in 1978. Net income rose 44.7 per cent, while sales, at \$277 million, grew by 22.1 per cent. The Division's net income to sales ratio improved considerably, from 5.5 per cent to 6.5 per cent. An ongoing, worldwide program to further strengthen the management of our international business was a major factor in this improvement. We are paying close attention to maximizing the use of existing facilities, holding inventories and accounts receivable as low as practical, eliminating products with low profit margins, maintaining high profit standards

for new products and relying on local sources for financing whenever possible.

A steady introduction of new products, most of them already successful in the U.S. but an increasing number developed specifically for international markets, enabled the Division to extend its marketing presence in 1978. *Aziza* eye make-up products were introduced in Australia and plans were finalized to introduce these products in Canada and the United Kingdom in 1979. *Pond's Cream & Cocoa Butter* lotion was launched in Germany and Australia. *Ragú* traditional sauces were sold for the first time in South Africa and *Ragú Extra Thick* and *Zesty* sauce in Canada. The *Patrichs* line of men's aftershave and cologne, developed in Spain and introduced there in 1976, is being expanded to other markets in Europe and the Western Hemisphere. In Spain, *Patrichs* currently is the second leading brand in the category and growing.

The net effect of foreign currency fluctuations reduced the Division's pre-tax earnings by \$2.6 million in 1978 compared with \$3.0 million in 1977. While it is difficult to predict the effect of these fluctua-

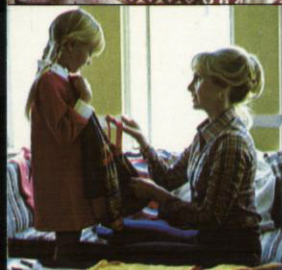
tions from year to year, we have taken steps to reduce our exposure, especially in countries with volatile political and economic conditions.

Despite economic and political uncertainties abroad, we are confident the Division's profitable sales growth will continue in 1979.

Paced by the successful introductions of *Rave* soft perm and *Pond's Cream & Cocoa Butter* lotion, sales in the Health and Beauty Products Division increased 10.6 per cent over 1977, to \$199 million, and operating profits grew by 8.6 per cent.

Our corporate commitment to new product development is especially apparent in this Division. Products introduced since 1970 now account for about 40 per cent of Divisional sales. That percentage will increase in 1979, as *Pond's Cream & Cocoa Butter* lotion, *Rave* soft perm and another major new product to be launched in midyear make an even greater contribution.

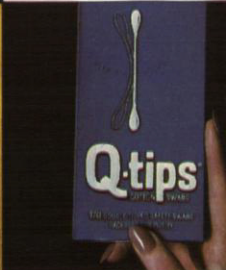
Despite competitive pressures on many of our established brands, including hand lotions, nail care products, cotton swabs and cleansing and cold creams, we succeeded in holding or increasing our positions of market leadership in these categories.



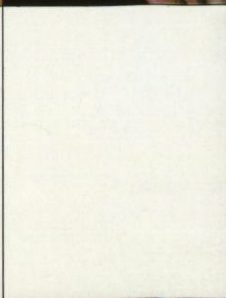
1973:
Health-tex Inc.
became part of
Chesebrough-Pond's.



1973:
Ragú tomato paste
processing and
packaging plant in
Merced, California,
came on stream.



1974:
Sales topped the
\$500 million mark,
more than double
the level reported
just four years
earlier.



The Division made a major investment in advertising and promotional programs during 1978 to support new product introductions and to fortify our position in the hand lotion market. This course of action, as planned, lowered Divisional profit margins somewhat for the year, but we expect to benefit from these initiatives in 1979.

A new, improved *Vaseline Intensive Care* lotion, the first major product change since the brand's introduction, was launched in July 1978. Over two years in development, the new formula represents a careful but significant change geared to meet consumer desires for faster absorbency while retaining all the benefits of the basic formula. *Vaseline Intensive Care* lotion is the number one brand in the market. We expect this product and the new *Pond's Cream & Cocoa Butter* lotion to further strengthen our Company's leadership in this important category despite new competitive brands.

Sales and earnings in our Packaged Foods Division rebounded strongly in 1978, following a year in which the

Division successfully countered major marketing challenges from new brands in the growing spaghetti sauce category. By the end of 1978, we had actually increased our market share over its early 1977 level, to 66 per cent, a record for the category.

Divisional sales for 1978, at \$183 million, increased by 25.2 per cent, and operating profits more than kept pace, advancing by 26.2 per cent. The Division's 1978 sales are about seven times the level reported in 1969.

Extensive new product development and market testing, as well as aggressive marketing programs for established products, are sustaining our momentum into early 1979, and the outlook is excellent for further sales and earnings growth from this Division.

The national introduction in July 1978 of a new line of spaghetti sauces, *Ragú Classic Combinations*, was highly successful. Launched with heavy advertising support, the *Classic Combinations* line has become the second best seller in the category, slightly ahead of *Ragú Extra Thick* and *Zesty* sauce and second only to *Ragú* traditional sauces, the perennial market leader.

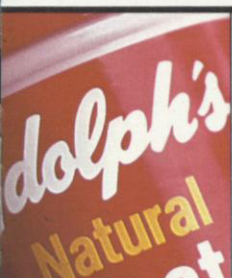
A number of new products, utilizing the strength of both the *Ragú* and *Adolph's* brand names, are under devel-

opment or in test markets. At least one of these new products will be brought into national distribution in 1979.

The Company's second major acquisition of the past decade, following *Ragú* in 1969, was *Health-tex*, a leading manufacturer of high quality children's apparel sold through department and specialty stores nationwide. Since becoming part of the Chesebrough-Pond's family in 1973, *Health-tex* has more than doubled in size.

For 1978, *Health-tex* sales rose by 10.5 per cent, to \$159 million, as a new line of girls' sizes 7-14 proved highly successful. Divisional operating profits, however, were reduced by 14.6 per cent from the 1977 level as a result of higher manufacturing and distribution costs.

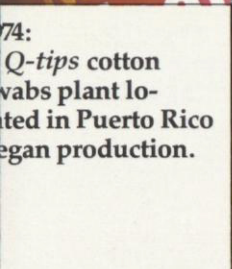
When *Health-tex* was acquired, our first priority was to increase production capacity to take full advantage of the marketing opportunities available to us. In the three years which followed, four new facilities were added, and we accomplished a 50 per cent capacity increase. This expansion has resulted in a series of ongoing problems in the areas of production and distribution. In 1978, in our efforts to keep ahead of delivery



1974:
The Adolph's
companies were
acquired.



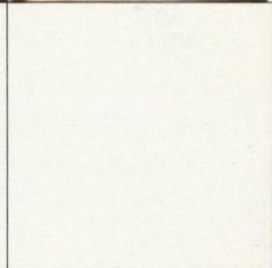
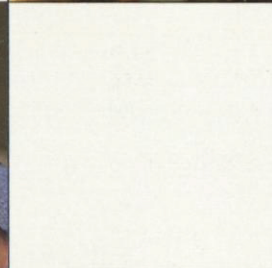
1976:
A new Food R&D
Center opened in
Shelton, Connect-
icut, greatly
facilitating product
development.



1974:
Q-tips cotton
swabs plant lo-
cated in Puerto Rico
began production.



1975:
The Aviance
fragrance line of
products was
launched by the
Prince Matchabelli
Division.



1976:
Ragú Extra Thick
and *Zesty* spaghetti
sauce was intro-
duced and quickly
became the market
leader in this seg-
ment of the category.



requirements and maintain our excellent product quality, abnormal cost penalties were incurred with a negative effect on profit margins. By year-end progress had been made in resolving these problems and we expect good profit growth for Health-tex in 1979.

The long-term outlook for further sales growth and improved profit margins for Health-tex is excellent. The brand enjoys a strong consumer franchise due to price, durability and style, and we are confident the Division can be consistently profitable at a level equal to or above our overall corporate performance.

The Prince Matchabelli Division continued to broaden its foundation during 1978, as the non-fragrance lines—Aziza make-up products and Erno Laszlo skin care preparations—continued to grow in importance.

This changing marketing balance has not come at the expense of fragrance sales, which continue strong competitively. While overall fragrance sales for 1978 were flat compared with 1977, three of our branded fragrances—*Wind Song* (introduced in 1952), *Cachet* (1970) and *Aviance* (1975)—continued to rank among the leaders in the industry.

The Division's total 1978 sales were \$96 million, up 11.5 per cent from a year ear-

lier. Operating profits increased by 4.4 per cent. Sales and earnings growth was somewhat slower than the past several years due to flat market conditions in the fragrance category and heavy introductory marketing expenses for new Aziza products.

Continued extraordinary growth for Aziza products was stimulated in 1978 by the introduction of Aziza tinted neutral shadows and Aziza lipsticks, the latest in a series of extensions into new market segments with what was once exclusively an eye make-up line. With more new products under development and modifications of existing products in process, we expect another strong performance from the Aziza line in 1979.

Erno Laszlo skin care preparations, sold only through selected retail outlets, have gained dramatically in popularity in recent years, with sales increasing to almost seven times the level of only five years ago.

The Hospital Products Division, the Company's smallest in terms of sales, recorded another excellent year in 1978. Profit margins continued their

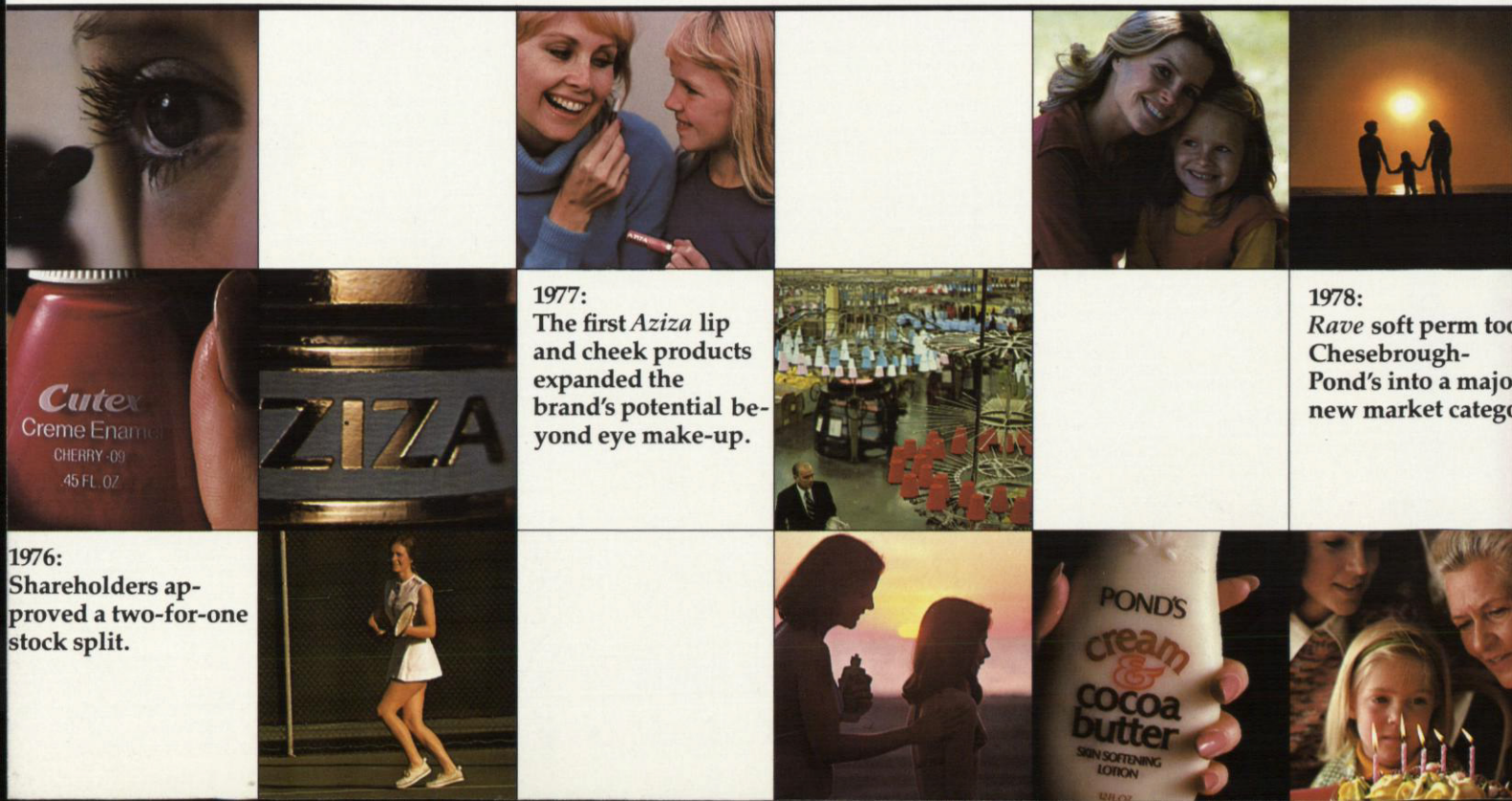
steady improvement of recent years through manufacturing efficiencies and the elimination of low-margin, commodity-oriented products.

Sales for 1978 were \$28 million, up 8.0 per cent from 1977, while operating profits increased by 16.2 per cent—the sixth consecutive year profit growth exceeded sales growth. Marketing emphasis focused on four product categories—mercury fever thermometers, non-adhering wound dressings, respiratory therapy aids and urological devices.

A renewed emphasis on new product development, pursued actively by the Division's new marketing team, began to produce results in 1978. New urological products and a plastic Underwater Drainage bottle were introduced regionally during the year. Sales of the *Triflo II* incentive deep-breathing exerciser continued to expand the Division's position in the respiratory therapy aids category.

Several other new products with high-margin potential are in various stages of development under an expanded research and development program which has doubled in size in the past three years.

The Company's capital spending program in 1978 continued to emphasize expansion and upgrading of our existing plants and facilities in the U.S. and



1977:
The first Aziza lip and cheek products expanded the brand's potential beyond eye make-up.

1978:
Rave soft perm took Chesebrough-Pond's into a major new market category.

1976:
Shareholders approved a two-for-one stock split.

abroad. The addition to the Management Information Center in Trumbull, Connecticut, was completed in midyear with the relocation of the Corporate Data Processing Center from Clinton, Connecticut. A distribution center is under construction in Wilton, Maine, for the newest member of our corporate family, G.H. Bass & Co. At our plants in Jefferson City, Missouri, and Clinton, Connecticut, we upgraded and expanded our plastic molding capacity, and installed equipment for increased lotion manufacturing and new products. We continued our program for installing new high-speed cotton swab equipment in Jefferson City and Las Piedras, Puerto Rico.

In the Packaged Foods Division, additional equipment was installed to increase the manufacturing capability of the Merced, California, plant and to process low-acid products at the Owensboro, Kentucky, plant.

Internationally, our operations in Italy have been consolidated with the addition to our Gaggiano facilities. Also, we initiated a program to test-market plastic jars for Pond's creams and expanded our

plastic molding capacity at other locations abroad. Total capital spending was \$34.9 million for 1978, and is expected to be about the same level in 1979.

In response to President Carter's request for compliance with the government's voluntary wage/price policy, our Company advised the President that it fully expects to be in compliance for 1979. Since my last letter to you there have been two changes in our Board of Directors. Mr. Alfred S. Foote retired from the Board at the 1978 Meeting of Shareholders after 23 years of valued counsel and service. On August 15, 1978, Mr. William L. Jackson, group vice president and a director, resigned to assume a position with another company.

The Company's progress led us to a significant milestone in January 1979, when the Board of Directors voted to increase the quarterly dividend 14.9 per cent from 23½ cents to 27 cents per common share. At this quarterly rate dividend payments in 1979 will have increased 151 per cent since 1968. This marks the 20th consecutive year in which dividend payments will have been increased and the 97th year of unbroken dividend payments—records matched by very few corporations.

This dividend record is the end result

of another year of substantial progress reflecting the efforts of all employees around the world. We thank them, as well as our shareholders, for their continued support.

The dramatic changes in our Company over the past decade have been changes in size, scope and marketing emphasis. They have been changes consistent with the philosophy of management on which we operate—providing real value at reasonable prices for consumers all over the world, and growing steadily and sensibly through a strong commitment to new product development and a selective program of acquisitions.

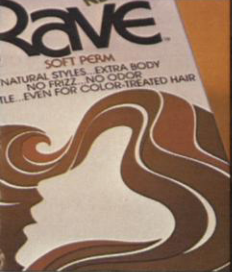
We are optimistic that adherence to this basic philosophy will carry us well over the \$1 billion level in sales for the first time in 1979. We believe it has prepared us well for our centennial celebration in 1980 and will enable us to maintain our consistent record of growth in the next decade.

Ralph E. Ward

Ralph E. Ward
Chairman and President

March 1979

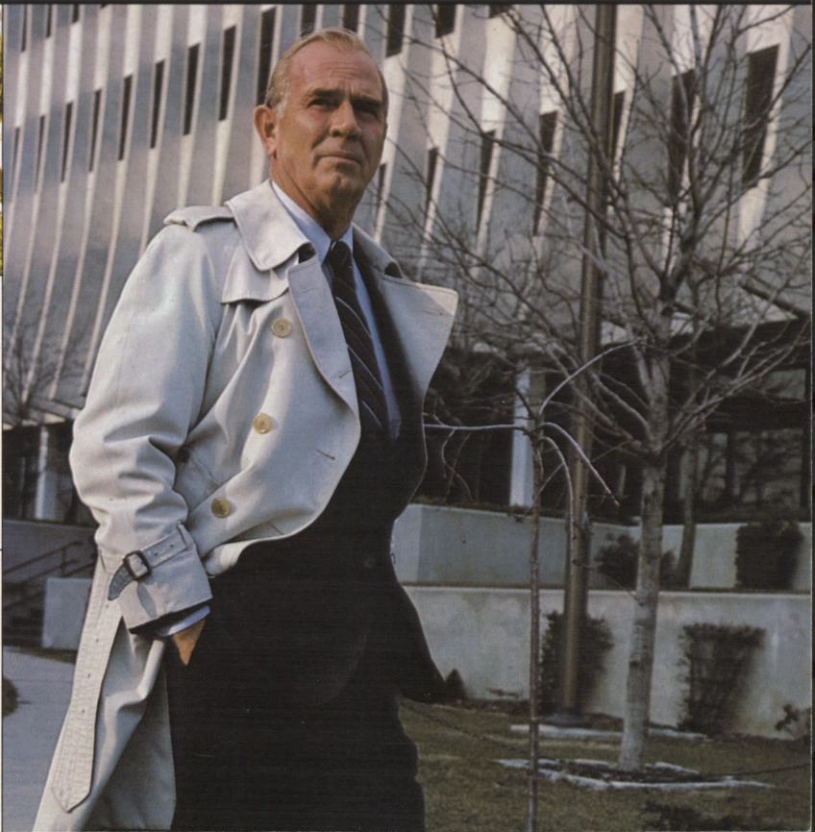
1978:
The acquisition of G.H. Bass & Co. provided the Company with another strong product area—footwear for the family.



1978:
Total sales approached the \$1 billion level and the company achieved 23rd consecutive year of record sales and earnings.



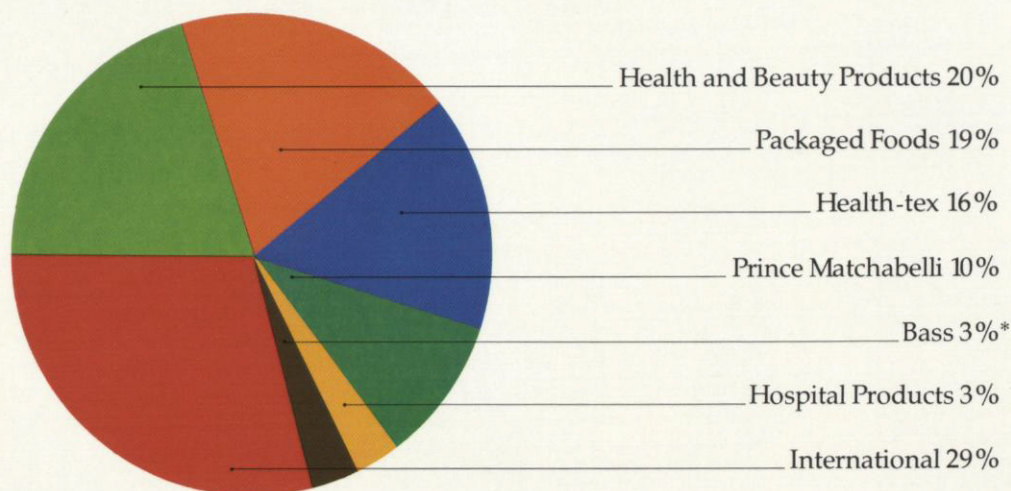
1979:
Dividends were increased for the 20th consecutive year.



Net Sales by Operating Divisions

(in thousands of dollars)	Ten-Year Average Growth Rate	1978	1977	1976	1975
Health and Beauty Products	+9.5%	\$198,540 +10.6%	\$179,484 +10.0%	\$163,183 +11.7%	\$146,071 +8.4%
Packaged Foods	+21.0%	182,623 +25.2%	145,824 -3.8%	151,542 +8.2%	140,007 +39.0%
Health-tex	+15.4%	158,805 +10.5%	143,698 +15.7%	124,185 +11.6%	111,260 +30.0%
Prince Matchabelli	+20.5%	96,159 +11.5%	86,213 +18.7%	72,621 +27.4%	57,002 +27.6%
Bass	—	28,798*	—	—	—
Hospital Products	+10.0%	28,366 +8.0%	26,261 +11.1%	23,632 +10.8%	21,325 +8.8%
International	+13.5%	276,542 +22.1%	226,517 +6.9%	211,823 +6.5%	198,918 +13.1%
Total	+14.4%	\$969,833 +20.0%	\$807,997 +8.2%	\$746,986 +10.7%	\$674,583 +20.2%

1978 Sales by Operating Divisions



*The results of the Bass Division are included in the consolidated results only from the acquisition date of July 31, 1978.

1974	1973	1972	1971	1970	1969
\$134,755 +7.7%	\$125,129 -3.6%	\$129,802 +22.4%	\$106,043 +21.8%	\$ 87,067 +3.7%	\$ 83,977 † +2.5%
100,715 +25.8%	80,029 +30.3%	61,413 +24.4%	49,354 +21.1%	40,748 +15.7%	35,224 +24.3%
85,581 +20.3%	71,139 +11.3%	63,914 +14.6%	55,758 +20.1%	46,438 +14.6%	40,507 +5.2%
44,689 +32.3%	33,789 +19.4%	28,300 +11.1%	25,470 +19.9%	21,234 +24.2%	17,091 +13.0%
—	—	—	—	—	—
19,596 +8.9%	17,999 +3.9%	17,331 +7.5%	16,118 +39.3%	11,568 -14.0%	13,451 † +15.4%
175,921 +20.0%	146,643 +17.5%	124,821 +8.2%	115,338 +3.6%	111,352 +20.9%	92,098 +16.4%
\$561,257 +18.2%	\$474,728 +11.5%	\$425,581 +15.6%	\$368,081 +15.6%	\$318,407 +12.8%	\$282,348 +10.9%

†Restated for product transfers.

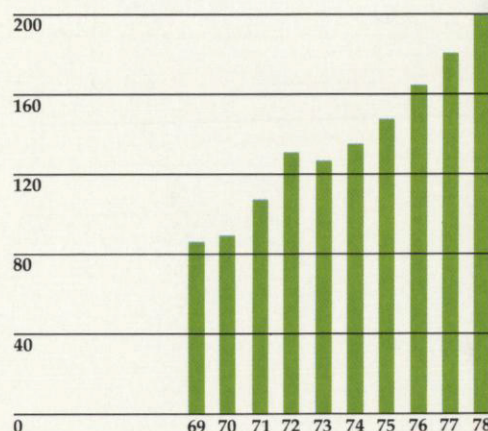
Health and Beauty Products Division

The successful launching and sustaining of two major new products in 1978—*Rave* soft perm and *Pond's* Cream & Cocoa Butter lotion—continued the trend toward increasing reliance on new product development in this, the Company's oldest domestic Division. Beginning with the introduction of *Vaseline Intensive Care* lotion in 1970, the percentage of Divisional sales coming from new products has risen steadily and in 1978 amounted to about 40 per cent. Continuing attention to cost-efficient production and distribution has made possible sharply increased advertising support for these introductions. In the past decade, the Division's total advertising outlays have increased by 114 per cent, with two thirds of the current total devoted to products introduced since 1970.

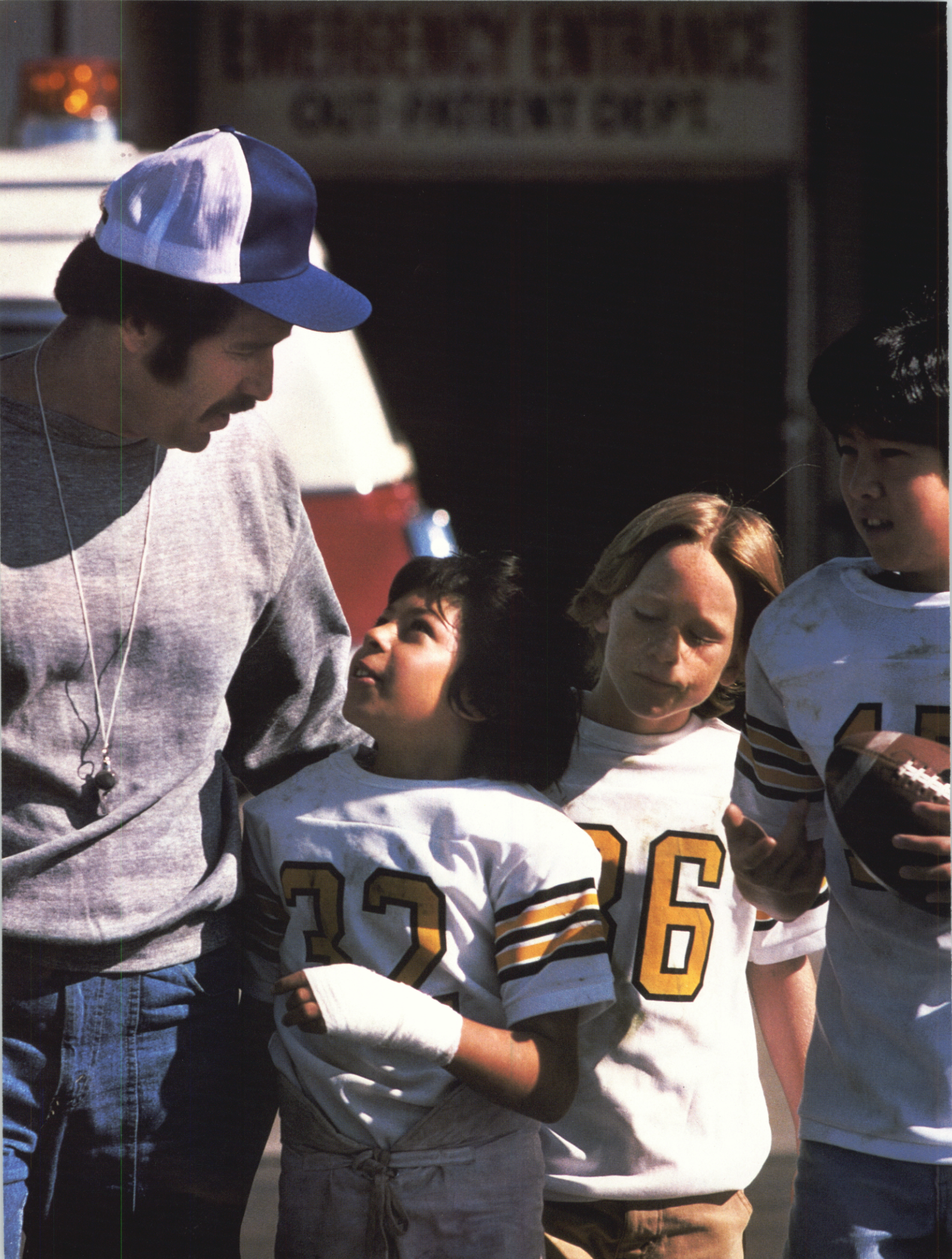
Strong new marketing initiatives for the Division's more mature products—including 108-year-old *Vaseline* petroleum jelly—have brought new sales growth in this area even with the increased attention to new products. In the years since 1974, sales of *Vaseline* petroleum jelly, *Pond's* creams, *Q-tips* cotton swabs and *Cutex* products have increased by more than 50 per cent.

The Health and Beauty Products Division's objectives for 1979 are to extend its foothold in the hair care market and, with its established products, maintain or improve its positions of market leadership.

Health and Beauty Products
(Sales in millions of dollars)

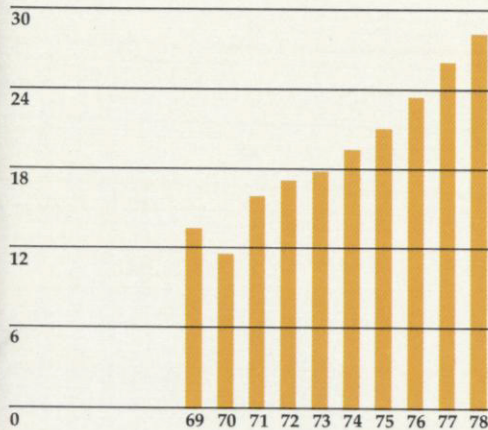






Hospital Products Division

Hospital Products
(Sales in millions of dollars)

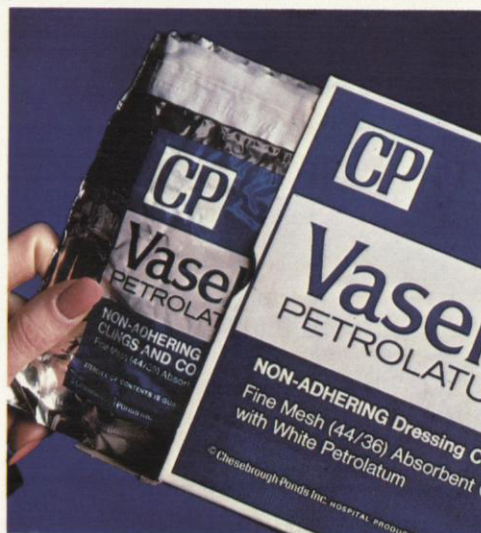


The primary thrust of the Hospital Products Division has shifted over the past ten years, from commodity-oriented items and sales to the U.S. Government, to the aggressive marketing of high-margin disposable products for use in hospitals. As a result of this change, as well as continuing manufacturing efficiencies, the Company's smallest operating Division in terms of sales has achieved more consistent growth and profit margins more in keeping with corporate norms.

Marketing emphasis in the Division now focuses on four established product lines—mercury fever thermometers, non-adhering wound dressings, respiratory therapy aids and urological devices. One area of the Division's operations which delivers promotional benefits as well as sales dollars is supplying hospital admissions kit manufacturers with the Division's mercury fever thermometers and small bottles of *Vaseline Intensive Care* lotion. These hospital admissions kits are supplied to many of the millions of people admitted to U.S. hospitals annually.

With an expanded research and development program, greater operating efficiencies through plant con-

solidation and automation, and more precise concentration of the sales effort on hospitals having the highest sales potential, the Division anticipates further progress in 1979 with continued improvement in margins.



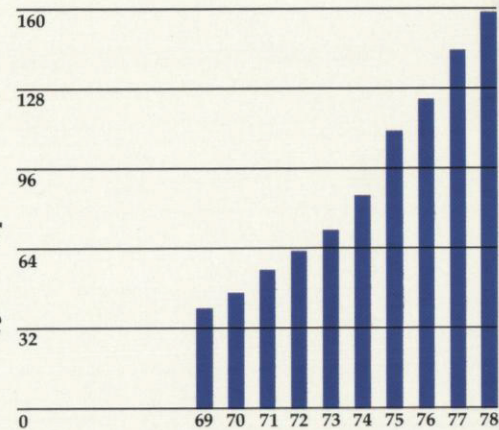
Health-tex Division

Expansion of the well known *Health-tex* brand name into new size categories gained momentum in 1978. National introduction of a line of girls' apparel in sizes 7-14 proved successful and contributed to the Division's continued sales growth.

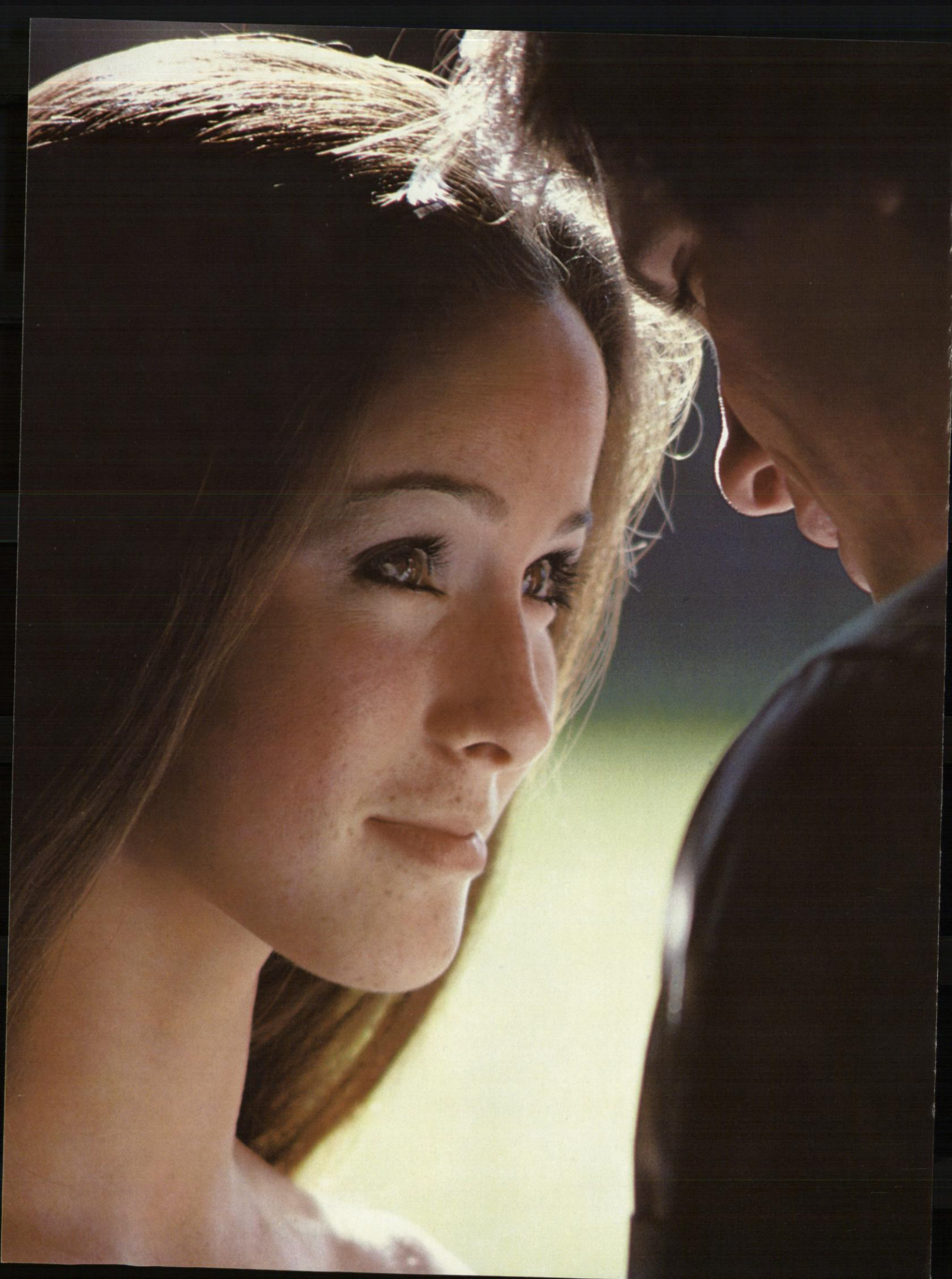
The acquisition of Health-tex in 1973 brought Chesebrough-Pond's into the children's apparel field for the first time. Since then, productive capacity for Health-tex has been enlarged by 50 per cent to capitalize fully on the marketing opportunities in this highly dynamic market, and sales of *Health-tex* products have more than doubled. To millions of American families, the *Health-tex* brand is synonymous with quality, styling and reasonable cost.

Rapid growth of the Health-tex business has resulted in ongoing problems with the coordination of production and distribution operations. In 1978, while efforts to improve deliveries to all customers and maintain the high quality of *Health-tex* products resulted in record sales for the Division, the cost of these efforts, and other inefficiencies, resulted in a reduction in Divisional profit margins. With programs coming on stream to improve production planning, inventory control and customer service, the Division's sales, operating profits and profit margins are expected to increase in 1979.

Health-tex
(Sales in millions of dollars)

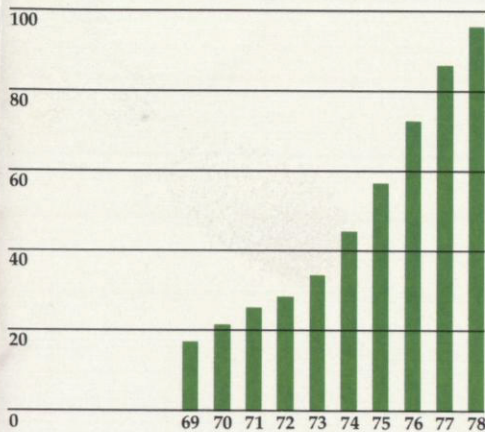






Prince Matchabelli Division

Prince Matchabelli
(Sales in millions of dollars)



The 20th anniversary of the acquisition of Prince Matchabelli was marked by another year of marketing success for the Division's high-quality, moderately priced fragrances, *Aziza* make-up products and *Erno Laszlo* skin care preparations.

Once referred to as "the fragrance division", the Prince Matchabelli Division, through marketing innovation, has achieved better balance in the sources for its sales over the past decade, drawing increasingly from non-fragrance categories. Sales of *Aziza* products, which now include lip and cheek products as well as eye make-up, are almost twelve times the level of just five years ago, while the *Erno Laszlo* line has grown almost seven times and continues to contribute significantly to Divisional profits.

Meanwhile, the three leading *Prince Matchabelli* branded fragrances—*Wind Song*, *Cachet* and *Aviance*—all remained among the nation's best selling fragrances in 1978.

Looking to 1979, the Division expects continued growth in sales and earnings. The Division is most interested in broadening its product base in the fra-

grance category. In addition, new *Aziza* products are in various stages of development at the Company's research and development facilities in Trumbull, Connecticut.



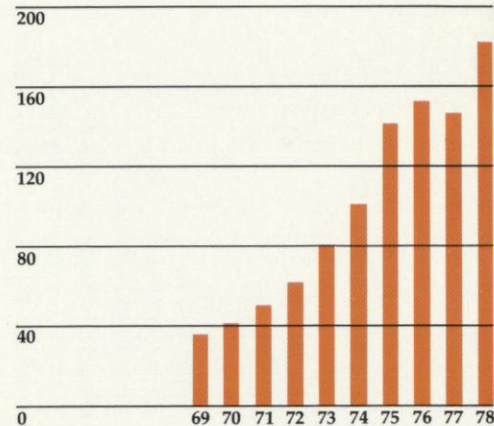
Packaged Foods Division

The acquisition of Ragu Packing Co. Inc. in 1969 opened a new and profitable avenue of expansion for Chesebrough-Pond's. With the subsequent acquisition of the Adolph's companies in 1974, and extensive new product development at the Company's Food Research & Development Center in Shelton, Connecticut, the Division has expanded to account for nearly 19 per cent of Chesebrough-Pond's business. The Packaged Foods Division's 1978 sales are about seven times the level reported in 1969.

Ragú Extra Thick and Zesty sauces, introduced in 1976, and *Ragú Classic Combinations* sauces, launched in 1978, now team with *Ragú* traditional sauces, the perennial market leader, to give the Company the three best sellers in the spaghetti sauce category and a record 66 per cent share of the market.

Among the new products in various stages of development and testing are *Ragú* pizza quick sauces, the Company's first entry in the expanding pizza category; *Ragú* table sauce; and *Adolph's* chili cooking sauce. In addition, the *Ragú* Italian cooking sauce line of products, designed to help consumers prepare for themselves the meals they enjoy in the best Italian restaurants, is doing well in test markets.

Packaged Foods
(Sales in millions of dollars)



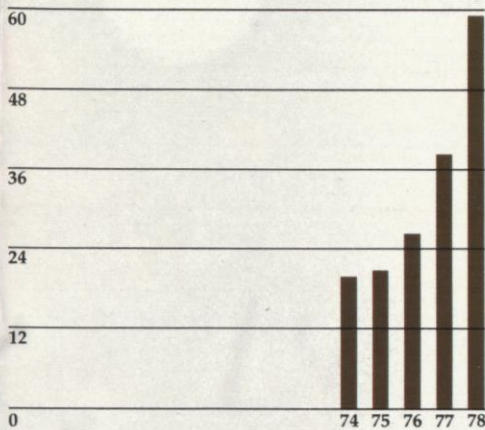




WEEJUNS
G.N. BASS & CO.

Bass Division

Bass
(Sales in millions of dollars)

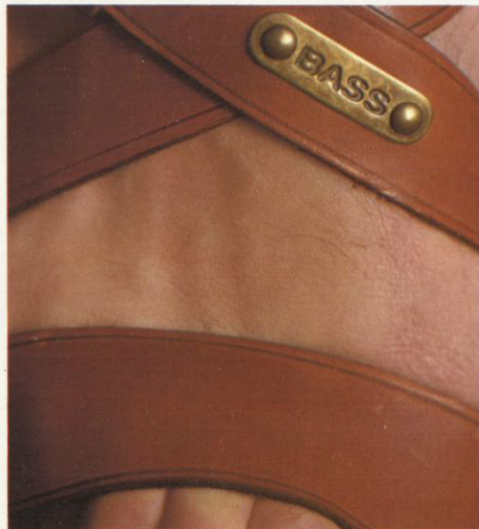


The five-year presentation is for informational purposes. The results of the Bass Division are included in the consolidated results only from the acquisition date of July 31, 1978.

G.H. Bass & Co., acquired by Chesebrough-Pond's during 1978, fits well with the Company's operating philosophy. Bass has proud traditions and it markets products of high quality for the family at reasonable prices under brand names which enjoy great consumer trust and popularity.

Early in its 103-year history Bass devoted itself to the manufacture of top-quality farmers' boots, mostly for sale in New England. *Bass Flying Boots* warmed the feet of Charles A. Lindbergh on his historic New York-to-Paris flight in 1927, and custom-made *Bass* boots were worn by Admiral Byrd and his party on their expeditions to the antarctic. In the late 1950's the *Weejuns* loafers fad struck American college campuses, and through the 1960's the *Weejuns* line accounted for up to 90 per cent of the company's sales, compared with less than 10 per cent currently. Following some short-lived diversification moves in the early 1970's, Bass broadened its product lines significantly and brought its styles up to the forefront of fashion. As a result, sales have nearly tripled since 1975.

The excellent sales growth for Bass in 1978 was due



principally to the expansion of the Division's line of warm-weather footwear, including the popular *Sunjuns* open sandals for men and women. The success of *Sunjuns* sandals makes Bass a significant factor in warm-weather markets and provides it with two complete seasonal lines of footwear.

International Division

The past decade has seen the International Division mature into a sophisticated, innovative marketer of a wide range of products throughout the world. In an era of continuing economic and political uncertainties, the Division is increasingly committed to the careful and efficient management of the Company's assets abroad.

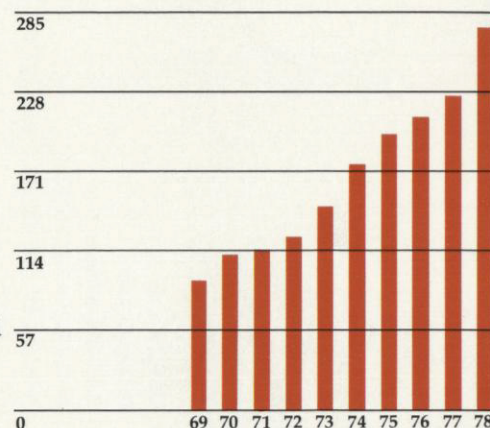
As a result of this balanced approach, international business has tripled in size in the ten-year period, and in 1978 the Division enjoyed the most profitable year in its history. Major contributions to the excellent 1978 results came from Latin America, the Middle East and parts of Europe. Sales continued particularly strong in Italy, Spain, Mexico, Venezuela, Australia and the United Kingdom.

In recent years, the International Division's marketing effort has reached beyond its traditional source of products, the Company's Health and Beauty Products Division. Prince Matchabelli products now account for about 13 per cent of international sales. In addition, plans are underway to expand the marketing of *Ragú*, *Health-tex* and other Company brands.

Increasingly, the International Division is developing its own new products for sale in specific markets overseas. Success of the *Patrichs* line of men's aftershave and cologne in Spain has prompted expansion of these products to other international markets.



International
(Sales in millions of dollars)



1978 International Net Sales by Area and Change from 1977

Europe.....	\$119,031,000	+ 30.7%
Western Hemisphere ..	89,874,000	+ 19.6%
Far East	32,101,000	+ 14.2%
Africa.....	35,536,000	+ 10.2%
	<u>\$276,542,000</u>	+ 22.1%



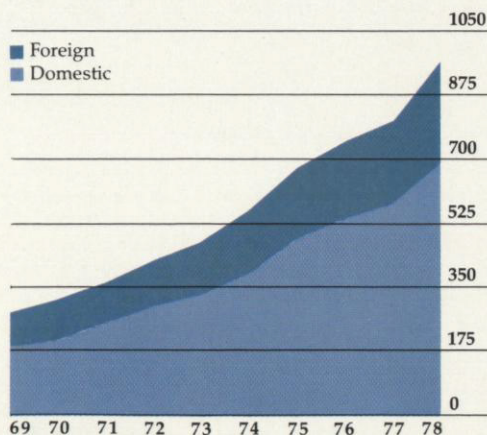
Ten-Year Financial Summary

(in thousands of dollars)

	1978	1977	1976	1975	1974
For the Year:					
Net sales	\$969,833	\$807,997	\$746,986	\$674,583	\$561,257
Cost of products sold	461,338	383,189	366,114	333,859	270,881
Selling, advertising and administrative expenses	365,872	303,216	270,612	243,421	207,199
Interest expense	12,229	9,735	9,279	8,607	6,460
Income before provision for taxes	130,841	113,798	104,787	89,540	81,189
As a per cent of net sales	13.5%	14.1%	14.0%	13.3%	14.5%
Provision for income taxes	61,127	53,708	50,653	41,618	38,018
Net income	69,714	60,090	54,134	47,922	43,171
As a per cent of net sales	7.2%	7.4%	7.2%	7.1%	7.7%
Earnings per share	2.16	1.86	1.69	1.50	1.36
Dividends paid	30,390	27,072	24,423	21,675	19,455
Dividends per share	.94	.84	.76	.68	.62
Capital expenditures	34,913	17,951	14,893	27,541	29,833
Depreciation	12,664	11,238	10,257	8,950	7,263
Weighted average shares outstanding	32,311,000	32,222,000	32,121,000	31,858,000	31,704,000
At Year-End:					
Current assets	\$473,779	\$386,255	\$345,468	\$312,876	\$286,630
Current liabilities	175,046	131,859	111,720	107,737	116,177
Working capital	298,733	254,396	233,748	205,139	170,453
Current ratio	2.7	2.9	3.1	2.9	2.5
Net property, plant and equipment	155,185	128,652	123,497	119,803	102,811
Total assets	706,255	575,429	514,897	478,582	436,262
Long-term debt	120,900	75,382	72,172	76,714	60,275
Shareholders' equity	391,132	350,851	317,002	282,822	250,759
Shareholders' equity per share	12.12	10.88	9.84	8.85	7.90
Return on shareholders' equity	19.9%	19.0%	19.1%	19.1%	19.3%
Stock Price Range	27¹/₈-20¹/₄	26⁷/₈-20¹/₈	32¹/₂-22¹/₂	33¹/₂-18⁵/₈	33³/₄-13³/₈

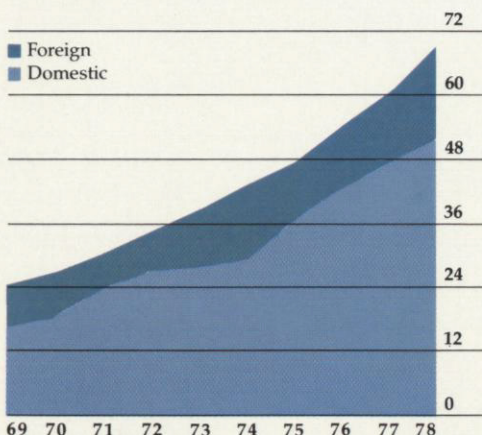
Net Sales

(in millions of dollars)



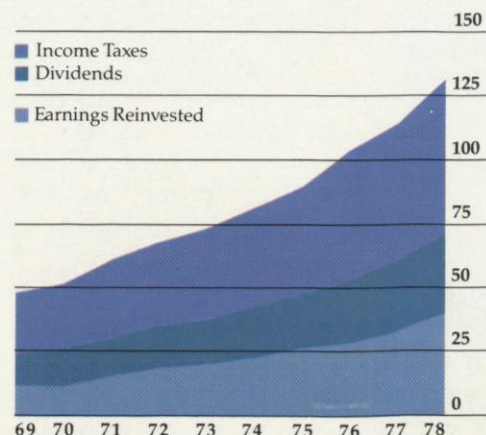
Net Income

(in millions of dollars)



Distribution of Income

(in millions of dollars)



1973	1972	1971	1970	1969
\$474,728	\$425,581	\$368,081	\$318,407	\$282,348
215,354	193,326	165,449	142,879	130,097
184,392	163,085	140,964	122,315	104,824
4,601	4,324	3,921	4,174	2,742
73,718	67,479	60,696	51,370	48,460
15.5%	15.9%	16.5%	16.1%	17.2%
34,873	32,737	30,246	24,540	24,016
38,845	34,742	30,450	26,830	24,444
8.2%	8.2%	8.3%	8.4%	8.7%
1.23	1.12	.99	.89	.79
17,624	15,235	14,516	13,880	11,373
.56	.54	.52	.51	.47
12,096	24,070	14,440	8,447	16,570
4,956	5,577	4,804	4,145	4,080
1,504,000	31,025,000	30,720,000	30,262,000	30,782,000

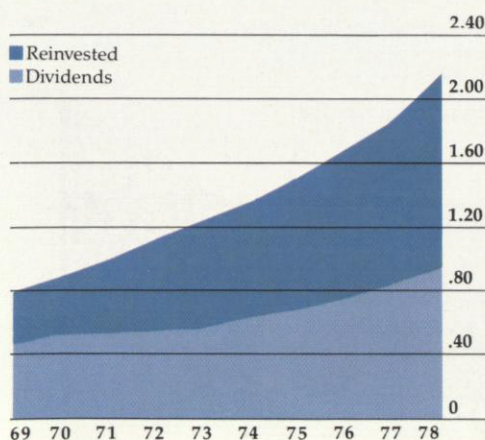
\$209,307	\$188,394	\$165,273	\$144,977	\$133,836
68,764	67,146	66,984	50,356	46,542
140,543	121,248	98,289	94,621	87,294
3.0	2.8	2.5	2.9	2.9
82,181	76,322	59,353	50,244	47,535
338,896	311,620	270,988	237,328	217,003
40,217	48,670	41,726	45,523	47,625
223,170	191,678	158,794	137,116	116,230
7.06	6.12	5.15	4.50	3.90
20.3%	21.9%	22.2%	23.1%	22.5%
46-30	44¾-28¼	30¼-22¼	26½-16⅜	27¼-18½

Management's Discussion and Analysis of the Summary of Operations

Net Sales

Consolidated net sales for 1978 showed an increase of 20.0 per cent over 1977 with all operating divisions contributing to the gain. Excluding the newly acquired Bass Division, the Company's consolidated sales increase amounted to 16.5 per cent. This compares with a sales increase of 8.2 per cent in 1977. The Health and Beauty Products Division's sales increase of 10.6 per cent, as compared with a 10.0 per cent increase in 1977, was due primarily to the national introductions of *Pond's Cream & Cocoa Butter* lotion and *Rave* soft perm. The Packaged Foods Division's sales increase was 25.2 per cent as compared with a decrease of 3.8 per cent in 1977. A significant portion of the 1978 increase, which was the largest per cent increase of all the operating divisions, was due to increases in the spaghetti sauce line which included the national introduction of the *Ragú Classic Combinations* spaghetti sauces. Sales of the traditional spaghetti sauce lines and the Extra Thick and Zesty sauce continued to be strong. The Health-tex Division's sales increase of 10.5 per cent was due in large part to the national introduction of preteen sizes 7-14 for girls. The expansion into the larger sizes has been well received by the trade. The Health-tex Division had posted a 15.7 per cent sales increase in 1977. The *Aziza* and *Erno Laszlo* lines accounted for the Prince Matchabelli Division's sales increase of 11.5 per cent over 1977 when sales increased by 18.7 per cent. The primary contributor to the *Aziza* line's sales increase was *Aziza* lipstick which was

Earnings and Dividends Per Share (in dollars)



introduced during the year. On July 31, 1978, the Company purchased G.H. Bass & Co., a domestic manufacturer of casual footwear. (See Note 2 to the Consolidated Financial Statements.) Sales for this Division have been included in the consolidated results from the acquisition date and amounted to \$28,798,000 for the five-month period. The Hospital Products Division posted a sales gain of 8.0 per cent in 1978 compared with an 11.1 per cent increase in 1977. The greatest increases in 1978 came from respiratory devices.

The International Division's sales increase of 22.1 per cent was achieved despite some unfavorable currency translation comparisons, particularly in Argentina, Brazil and Canada. Significant sales increases occurred in Italy, Spain, Mexico, Venezuela, Australia and the United Kingdom. In 1977, the International Division's sales increase was 6.9 per cent.

The total Domestic sales increase of 19.2 per cent in 1978 consisted of volume growth of 14.8 per cent and price increases of 4.4 per cent. The International Division's sales growth of 22.1 per cent was the result of volume increases of 5.9 per cent and price increases of 19.8 per cent, which more than offset

changes in relative rates of exchange which reduced sales by 3.6 per cent.

The total Domestic sales increase of 8.7 per cent in 1977 consisted of volume growth of 6.9 per cent for all divisions except Packaged Foods, which had a volume decrease of 8.3 per cent. As a result, price increases accounted for 6.1 per cent growth. The International Division's sales growth of 6.9 per cent was the result of volume increases of 2.5 per cent and price increases of 13.4 per cent which offset changes in relative rates of exchange which reduced sales by 9.0 per cent.

Cost of Products Sold

Cost of products sold increased as a per cent of sales from 47.4 per cent in 1977 to 47.6 per cent in 1978. Cost of products sold in the International Division included a gain on foreign currency translation of inventories of \$785,000 in 1978 and a loss on foreign currency translation of inventories of \$1,695,000 in 1977. Excluding the inventory translation effects, cost of products sold increased from 47.2 per cent in 1977 to 47.6 per cent in 1978. This increase was due primarily to increased production costs in the Health-tex Division as well as the inclusion of the Bass Division in the 1978 results. The Bass Division has a higher cost of sales ratio than any division other than Health-tex. This increase was par-

tially offset by lower production costs in the International, Packaged Foods, Health and Beauty Products and Hospital Products Divisions.

Cost of products sold decreased from 49.0 per cent of sales in 1976 to 47.4 per cent in 1977. Lower production costs in each of the operating divisions, except the Health-tex Division which incurred a slight increase, accounted for the major portion of the decrease.

Selling, Advertising and Administrative Expenses

Selling, advertising and administrative expenses increased 20.7 per cent and absorbed 37.7 per cent of each sales dollar as compared with 37.5 per cent in 1977. The increase as a per cent of sales was due to increased advertising in the Packaged Foods, Health and Beauty Products and International Divisions and expanded promotional activities in the Prince Matchabelli, Health and Beauty Products and International Divisions.

In 1977, selling, advertising and administrative expenses were up 12.0 per cent and absorbed 37.5 per cent of each sales dollar as compared with 36.2 per cent in 1976. The increase as a per cent of

sales was due primarily to increased advertising and promotional activity, particularly in the Health and Beauty Products, Prince Matchabelli and International Divisions.

Interest Expense

Interest expense of \$12,229,000 was 25.6 per cent higher than in 1977 as a result of a higher average level of domestic borrowings due partially to the financing of the G.H. Bass & Co. acquisition. However, the 1978 effective interest rate was constant when compared with 1977.

In 1977, interest expense of \$9,735,000 was 4.9 per cent higher than in 1976 due to a higher average level of foreign borrowings required to finance increased working capital needs and to help reduce the impact of currency fluctuations, partially offset by lower levels of domestic borrowings. The effective interest rate was slightly higher in 1977 than in 1976.

Foreign Exchange

Foreign exchange losses have been as follows:

(in thousands of dollars)	1978	1977	1976
Loss (gain) charged to cost of products sold	(785)	1,695	4,386
Other exchange loss (gain)	<u>3,353</u>	<u>1,331</u>	<u>(1,144)</u>
Total loss	<u>2,568</u>	<u>3,026</u>	<u>3,242</u>

The Company had major exchange losses related to Argentina, Canada,

Nigeria and West Germany in 1978 and Argentina, Canada, Mexico, Nigeria, Spain and the United Kingdom in 1977.

Provision for Income Taxes

The 1978 provision for income taxes at 46.7 per cent of income before taxes was lower than the 1977 rate of 47.2 per cent. This was principally the result of the reduced effective tax rate in the International Division, due primarily to a decrease in loss operations in certain foreign countries from which no tax benefit is derived.

The 1977 provision for income taxes at 47.2 per cent of income before taxes was lower than the 1976 rate of 48.3 per cent. This was principally the result of the reduced effective tax rate in the International Division, due to a decrease in non tax deductible foreign exchange translation losses included in cost of products sold. A reconciliation of the 1978 and 1977 provisions for income taxes to the United States statutory rate (48 per cent) is presented in Note 12 to the Consolidated Financial Statements.

Accounts Receivable

In 1978, accounts receivable increased 27.5 per cent as compared with 1977 due

principally to the inclusion of the Bass Division and increases in December's net sales in the Health-tex, Health and Beauty Products, Packaged Foods and International Divisions.

In 1977, accounts receivable increased 9.2 per cent as compared with 1976. This was due principally to increases in December's net sales in the Prince Matchabelli, Health and Beauty Products and Hospital Products Divisions, partially offset by lower accounts receivable in the Packaged Foods Division resulting from a decrease in net sales.

Inventories

In 1978, inventories rose 15.1 per cent over 1977 due primarily to increases in the Health-tex and Health and Beauty Products Divisions as well as the inclusion of the Bass Division inventory. However, as a per cent of the annual sales figure, inventories at year-end decreased from 25.1 per cent in 1977 to 24.0 per cent in 1978.

In 1977, inventories increased 14.6 per cent over 1976 and at year-end represented 25.1 per cent of the annual sales figure as compared with 23.7 per cent in 1976. Inventories were up primarily due to a high level of finished goods in the Health-tex and International Divisions and higher tomato paste inventories resulting from the unexpectedly high yield 1977 California tomato crop.

Consolidated Balance Sheet

Assets	December 31,	
	1978	1977
Current Assets:		
Cash and time deposits	\$ 28,109,000	\$ 19,940,000
Marketable securities, at cost which approximates market	2,320,000	1,045,000
Accounts receivable	194,882,000	152,802,000
Inventories	233,189,000	202,633,000
Prepaid expenses	<u>15,279,000</u>	<u>9,835,000</u>
Total current assets	473,779,000	386,255,000
Property, Plant and Equipment:		
At cost	236,131,000	198,252,000
Less accumulated depreciation	<u>80,946,000</u>	<u>69,600,000</u>
Net property, plant and equipment	155,185,000	128,652,000
Investments and Other Assets	23,020,000	19,394,000
Goodwill and Trademarks	<u>54,271,000</u>	<u>41,128,000</u>
	<u>\$706,255,000</u>	<u>\$575,429,000</u>

See accompanying notes.

Liabilities and Shareholders' Equity	December 31,	
	1978	1977
Current Liabilities:		
Notes payable	\$ 40,517,000	\$ 26,929,000
Accounts payable and accrued liabilities	105,395,000	83,870,000
Income taxes payable	21,744,000	17,395,000
Long-term debt due within one year	<u>7,390,000</u>	<u>3,665,000</u>
Total current liabilities.	175,046,000	131,859,000
 Long-Term Debt	 120,900,000	 75,382,000
 Deferred Income Taxes	 9,038,000	 8,539,000
 Other Non-Current Liabilities	 10,139,000	 8,798,000
 Shareholders' Equity:		
Common stock.	32,466,000	32,427,000
Additional paid-in capital	46,386,000	45,139,000
Retained earnings	<u>316,523,000</u>	<u>277,199,000</u>
	395,375,000	354,765,000
Less treasury stock, at cost.	<u>4,243,000</u>	<u>3,914,000</u>
Total shareholders' equity.	<u>391,132,000</u>	<u>350,851,000</u>
	<u>\$706,255,000</u>	<u>\$575,429,000</u>

Consolidated Statement of Income

Chesebrough-Pond's Inc. and Subsidiaries

	Year ended December 31,	
	1978	1977
Net sales	\$969,833,000	\$807,997,000
Royalties	<u>2,760,000</u>	<u>2,610,000</u>
Operating revenues	972,593,000	810,607,000
Cost of products sold	<u>461,338,000</u>	<u>383,189,000</u>
Selling, advertising and administrative expenses	<u>365,872,000</u>	<u>303,216,000</u>
Operating costs and expenses	<u>827,210,000</u>	<u>686,405,000</u>
Income from operations	145,383,000	124,202,000
Other income (expense):		
Interest expense	(12,229,000)	(9,735,000)
Interest income	3,018,000	1,477,000
Loss on foreign exchange	(3,353,000)	(1,331,000)
Miscellaneous—net	<u>(1,978,000)</u>	<u>(815,000)</u>
	<u>(14,542,000)</u>	<u>(10,404,000)</u>
Income before provision for taxes	130,841,000	113,798,000
Provision for income taxes	<u>61,127,000</u>	<u>53,708,000</u>
Net income	<u>\$ 69,714,000</u>	<u>\$ 60,090,000</u>
Earnings per share	<u>\$2.16</u>	<u>\$1.86</u>

See accompanying notes.

Consolidated Statement of Shareholders' Equity

Chesebrough-Pond's Inc. and Subsidiaries

	Year ended December 31,			
	1978		1977	
	Shares	Amount	Shares	Amount
Preferred Stock —1,000,000 shares authorized and unissued; par value \$1.00 per share	—	—	—	—
Common Stock —50,000,000 shares authorized; par value \$1.00 per share				
Balance at January 1	32,427,050	\$ 32,427,000	32,312,478	\$ 32,312,000
Issued under the Stock and Stock Option Plans	38,576	39,000	112,369	113,000
Debenture conversions	—	—	2,203	2,000
Balance at December 31	<u>32,465,626</u>	<u>\$ 32,466,000</u>	<u>32,427,050</u>	<u>\$ 32,427,000</u>
Additional Paid-In Capital				
Balance at January 1		\$ 45,139,000		\$ 42,454,000
Common shares issued under the Stock and Stock Option Plans		1,549,000		2,903,000
Other		(302,000)		(218,000)
Balance at December 31		<u>\$ 46,386,000</u>		<u>\$ 45,139,000</u>
Retained Earnings				
Balance at January 1		\$277,199,000		\$244,181,000
Net income		69,714,000		60,090,000
Dividends paid—\$.94 per share (1977—\$.84)		(30,390,000)		(27,072,000)
Balance at December 31		<u>\$316,523,000</u>		<u>\$277,199,000</u>
Treasury Stock, at cost				
Balance at January 1	183,237	\$ 3,914,000	101,394	\$ 1,945,000
Issued under the Stock Plan	(98,033)	(2,100,000)	(3,421)	(73,000)
Issued under the Executive Incentive Profit Sharing Plan	(12,617)	(280,000)	(14,736)	(310,000)
Purchased for cash	109,400	2,709,000	100,000	2,352,000
Balance at December 31	<u>181,987</u>	<u>\$ 4,243,000</u>	<u>183,237</u>	<u>\$ 3,914,000</u>

See accompanying notes.

Consolidated Statement of Changes in Financial Position

Chesebrough-Pond's Inc. and Subsidiaries

	Year ended December 31,	
	1978	1977
Sources of Working Capital		
Net income	\$ 69,714,000	\$ 60,090,000
Depreciation	12,664,000	11,238,000
Deferred income taxes	499,000	2,701,000
Other expenses not involving working capital	2,972,000	1,751,000
Provided from operations	85,849,000	75,780,000
Common shares issued under the Stock and Stock Option Plans	3,688,000	3,089,000
Increase in long-term debt	52,804,000	3,939,000
Book value of disposed assets	1,637,000	1,558,000
	<u>143,978,000</u>	<u>84,366,000</u>
Applications of Working Capital		
Dividends paid	30,390,000	27,072,000
Additions to property, plant and equipment	34,913,000	17,951,000
Decrease in long-term debt	10,913,000	729,000
Purchase of treasury stock	2,709,000	2,352,000
Net non-current assets of G.H. Bass & Co., at date of acquisition	17,580,000	—
Increase in investments and other assets—net	1,606,000	14,657,000
Other—net	1,530,000	957,000
	<u>99,641,000</u>	<u>63,718,000</u>
Increase in working capital	<u>\$ 44,337,000</u>	<u>\$ 20,648,000</u>
Changes in Components of Working Capital		
Increase (decrease) in current assets:		
Cash and time deposits	\$ 8,169,000	\$ 286,000
Marketable securities	1,275,000	(154,000)
Accounts receivable	42,080,000	12,925,000
Inventories	30,556,000	25,824,000
Prepaid expenses	5,444,000	1,906,000
	<u>87,524,000</u>	<u>40,787,000</u>
Increase (decrease) in current liabilities:		
Notes payable	13,588,000	3,723,000
Accounts payable and accrued liabilities	21,525,000	19,312,000
Income taxes payable	4,349,000	(2,901,000)
Long-term debt due within one year	3,725,000	5,000
	<u>43,187,000</u>	<u>20,139,000</u>
Increase in working capital	<u>\$ 44,337,000</u>	<u>\$ 20,648,000</u>

See accompanying notes.

1. Summary of Significant Accounting Policies*Principles of Consolidation*

The consolidated financial statements include the accounts of all domestic and majority-owned foreign subsidiaries. Intercompany accounts and material intercompany transactions have been eliminated in consolidation.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Market is estimated net realizable value.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation, which includes amortization of assets recorded under capital leases, is provided on a straight-line basis for financial accounting purposes, while accelerated methods are used for income tax purposes. Maintenance and repairs are expensed as incurred and additions and major improvements are capitalized. Upon the sale or retirement of property, the property accounts and the related accumulated depreciation are adjusted and any profit or loss is reflected in income.

Income Taxes

Deferred income taxes result from timing differences between the amounts reported for financial accounting and income tax purposes, primarily related to accelerated methods of depreciation for tax purposes. Investment tax credits are applied as a reduction of the provision for income taxes in the year the related property is placed in service.

Goodwill and Trademarks

Costs in excess of net assets of acquired companies (goodwill) and trademarks acquired under agreements entered into prior to November 1, 1970, are not being amortized since there is no present indication of any permanent impairment in the value of these assets. All significant goodwill and trademarks acquired after October 31, 1970, are being amortized on a straight-line basis over periods not exceeding forty years.

Advertising and Sales Promotion Costs

Advertising costs are expensed as incurred, while sales promotion costs are expensed during the period of the promotional program.

Retirement Plans

The Company has various retirement plans covering the majority of its employees worldwide. The Company's policy is to fund current service costs each year and to amortize prior service costs over thirty years.

Earnings Per Share

The computation of earnings per share is based on the weighted average number of shares outstanding (32,311,000 in 1978 and 32,222,000 in 1977). Dilution relating to convertible debentures and other rights was not material.

Reclassifications

Certain 1977 amounts have been reclassified to conform to the 1978 presentation, principally related to investments in Puerto Rico, which the Company now intends to hold to maturity.

2. Acquisition

On July 31, 1978, the Company acquired all of the outstanding stock of G. H. Bass & Co. (Bass), a domestic manufacturer of casual footwear, for a cash purchase price of \$27,064,000, including expenses of the acquisition. The acquisition has been accounted for as a purchase and, accordingly, the operations of Bass have been included since the acquisition date. The excess of the purchase price over the fair value of the net assets acquired amounted to \$13,238,000 and is being amortized on a straight-line basis over forty years.

The following pro forma summary presents the results of the Company's operations as if Bass had been acquired on January 1, 1977:

	1978	1977
Net sales	\$1,000,094,000	\$846,097,000
Net income	71,333,000	61,737,000
Earnings per share	2.21	1.92

3. Property, Plant and Equipment

Property, plant and equipment at December 31 follows:

	1978	1977
Land	\$ 10,289,000	\$ 9,416,000
Buildings and building improvements	82,112,000	71,544,000
Machinery and equipment	124,835,000	109,847,000
Leasehold improvements	5,295,000	4,563,000
Construction in progress	13,600,000	2,882,000
	<u>236,131,000</u>	<u>198,252,000</u>
Less accumulated depreciation	80,946,000	69,600,000
Net property, plant and equipment	<u>\$155,185,000</u>	<u>\$128,652,000</u>

Included above is net property, plant and equipment relative to capital leases of \$12,704,000 in 1978 and \$7,641,000 in 1977.

4. Long-Term Debt

Long-term debt at December 31, excluding amounts due within one year, was:

	1978	1977
8¼ % Notes due in 1981	\$ 20,000,000	\$40,000,000
8½ % Notes due March 3, 1980	20,000,000	—
Unsecured promissory notes	24,966,000	—
4¾ % Subordinated convertible debentures due December 31, 1983 ..	1,689,000	1,689,000
6¼ % Subordinated convertible debentures due December 15, 1984 ..	15,497,000	15,497,000
Term loans	26,113,000	10,891,000
Obligations under capital leases (See Note 9)	12,635,000	7,305,000
Total	<u>\$120,900,000</u>	<u>\$75,382,000</u>

In March 1978, the Company refinanced the \$40,000,000 8¼ per cent notes originally due January 1979, by placing 8½ per cent and 8¼ per cent notes with five institutional investors. The new 8¼ per cent notes may be prepaid without premium or penalty after March 31, 1980.

In July 1978, to finance the acquisition of G. H. Bass & Co. (See Note 2), the Company issued unsecured promissory notes having various interest rates, all of which are less than prime. While these notes are presently short-term in nature, the Company can refinance them on a long-term basis, and it is management's present intention to continue to replace these debt instruments with other similar obligations as they become due. Accordingly, they are classified as long-term debt.

The 4¾ per cent and 6¼ per cent debentures are convertible into common stock of the Company at \$24.50 per share and \$26.75 per share, respectively, and are subject to annual sinking fund payments of \$850,000 and \$1,800,000, respectively. In 1978 and 1977, the sinking fund requirements were satisfied by previously converted debentures as provided in the Trust Agreement and it is management's present intention to satisfy the 1979 sinking fund requirements in the same manner. At December 31, 1978, an aggregate of 648,266 shares of common stock was reserved for conversion of these debentures.

Term loans consist of \$20,000,000 due to domestic banks and \$6,113,000 due in various foreign countries. One half of the domestic total has a fixed interest rate of 10½ per cent and is payable on January 7, 1980. The remaining balance, which is payable on January 8, 1980, has an interest rate equal to the current prime rate, but with a maximum of 11½ per cent and a minimum of 9¼ per cent. The foreign term loans have interest rates ranging from 6 per cent to 17¼ per cent and various maturity dates, none beyond January 15, 1992.

Annual maturities on long-term debt during the next five years are: 1980—\$41,444,000; 1981—\$25,420,000; 1982—\$2,102,000; 1983—\$4,191,000; 1984—\$13,131,000.

The loan agreements contain various restrictions, all of which are being met by the Company.

5. Stock Plan

The Plan provides that no more than 300,000 shares of the Company's common stock can be allocated in any one year and no more than 4 per cent thereof can be allocated to any one officer or key employee in any year. In years prior to 1974, the Plan allowed for payment for the shares over a five-year period. With the approval of the shareholders, the Plan was amended in 1974 to provide for the awarding rather than the purchasing of shares and further amended to allow participants to defer the receipt of the shares until separation from the Company. If the employee elects to defer shares, units in lieu of dividends are credited to the participant.

The activity of the Plan for 1977 and 1978 was as follows:

	Purchase Plan		Award Plan	Total
	Shares	Price	Shares	Shares
Outstanding, January 1, 1977 ..	36,130	\$11.66-12.825	422,144	458,274
Allocations ...	—	—	212,797	212,797
Issued	(20,150)	11.66-12.825	(89,448)	(109,598)
Cancelled	(1,088)	12.825	(24,740)	(25,828)
Units in lieu of dividends. . .	—	—	718	718
Outstanding, December 31, 1977	14,892	\$12.825	521,471	536,363
Allocations ...	—	—	272,305	272,305
Issued	(14,842)	12.825	(120,157)	(134,999)
Cancelled	(50)	12.825	(45,464)	(45,514)
Units in lieu of dividends. . .	—	—	1,295	1,295
Outstanding, December 31, 1978	—	—	629,450	629,450
Shares reserved ...				<u>1,271,465</u>

For financial accounting purposes, compensation expense is recognized over a five-year period and during 1978 and 1977 \$4,254,000 and \$3,848,000 were expensed, respectively. The measurement dates and the timing of expense for financial accounting and income tax purposes differ and deferred income taxes have been provided for the related future tax benefit. Tax effects arising from the change in market values at these different measurement dates are applied to additional paid-in capital.

6. Stock Option Plans

In 1972, the shareholders approved a Qualified Stock Option Plan which authorizes issuance of options to purchase not more than 1,000,000 shares of the Company's common stock by certain employees at an option price of not less than 100 per cent of the fair market value of the stock at date of grant. At December 31, 1978, no options had been granted.

The Company also has a non-qualified Stock Option Plan which was formerly the Health-tex Employee Stock Option Plan. All options were granted by Health-tex Inc. prior to the merger with the Company and no additional options are to be granted under the Plan. The activity of this Plan for 1978 and 1977 was as follows:

	1978		1977	
	Shares	Option Price	Shares	Option Price
Outstanding, January 1	33,380	\$15.00-37.44	45,052	\$15.00-37.44
Exercised	(1,610)	15.00	(6,192)	15.00
Cancelled	(4,548)	15.00-37.44	(5,480)	15.00-37.44
Outstanding and exercisable, December 31	<u>27,222</u>	\$15.00-37.44	<u>33,380</u>	\$15.00-37.44

7. Executive Incentive Profit Sharing Plan

Under the provisions of the Executive Incentive Profit Sharing Plan, the total allotment to any participating officer or key employee for any calendar year may not exceed 50 per cent of

the participant's annual base salary. For those allotments not currently distributed in cash, units measured by the then current market value of a share of the Company's common stock are credited to the accounts of the individual participants as of December 31 of the calendar year for which the allotment is made. In addition, units in lieu of dividends are credited to the participant. Participants will receive, upon retirement, death or termination of employment, shares of the Company's common stock equal to the number of units credited to their accounts unless the Company elects to distribute cash equal to the then current market value of such shares. In 1978 and 1977, respectively, \$2,668,000 and \$2,350,000 were expensed. Of these amounts, \$297,000 and \$265,000 have been deferred in 1978 and 1977 and converted into 13,137 and 12,370 units, respectively. At December 31, 1978, there were 110,556 units credited to participants under the Plan.

8. Foreign Operations

The consolidated balance sheet at December 31, 1978, and 1977, respectively, includes net assets of \$121,463,000 and \$114,232,000 for subsidiaries and branches in foreign countries.

Results of the Company's International Division were as follows (including export sales and related net income):

	1978	1977
Net sales	\$276,542,000	\$226,517,000
Net income	17,961,000	12,412,000

9. Rent Expense and Lease Commitments

The Company has operating leases, primarily for distribution warehouses, general office facilities and data processing and other equipment. Rent expense relative to these leases was \$15,568,000 and \$13,352,000 in 1978 and 1977, respectively. At December 31, 1978, the minimum rental payments under noncancellable operating leases with a term in excess of one year were as follows:

1979	\$ 8,156,000
1980	6,681,000
1981	5,519,000
1982	4,533,000
1983	3,232,000
1984-2008	<u>12,908,000</u>
	<u>\$41,029,000</u>

In addition, the Company has capital leases for certain manufacturing, warehouse and general office facilities. At December 31, 1978, the future minimum lease payments for these capital leases were as follows:

1979	\$ 1,458,000
1980	1,652,000
1981	1,640,000
1982	1,628,000
1983	1,616,000
1984-2006	<u>20,027,000</u>
Total minimum lease payments	28,021,000
Less amount representing interest	<u>14,969,000</u>
Total obligations under capital leases	13,052,000
Less obligations due within one year	<u>417,000</u>
Long-term obligations under capital leases	<u>\$12,635,000</u>

10. Retirement Plans

In 1978 and 1977, respectively, \$4,777,000 and \$3,779,000 were expensed for all retirement plans.

11. Research and Development

In 1978 and 1977, respectively, \$8,567,000 and \$7,119,000 were expensed for Company-sponsored research to develop and improve products.

12. Income Taxes

The provision for income taxes consists of the following:

	1978	1977
Current:		
United States	\$41,713,000	\$37,250,000
Foreign	13,476,000	8,808,000
State and local	<u>5,439,000</u>	<u>4,949,000</u>
	60,628,000	51,007,000
Deferred	<u>499,000</u>	<u>2,701,000</u>
Total	<u>\$61,127,000</u>	<u>\$53,708,000</u>

The provision for income taxes of 46.7 per cent (1977—47.2 per cent) differs from the United States statutory rate of 48 per cent as a result of the following factors:

	1978		1977	
		% of		% of
(in thousands of dollars)	Amount	Pre-tax Income	Amount	Pre-tax Income
Provision for income taxes at the U.S. statutory rate	\$62,804	48.0%	\$54,623	48.0%
State and local income taxes, net of federal income tax benefit	2,828	2.2	2,574	2.3
Net difference in effective tax rate of foreign operations	(261)	(0.2)	353	0.3
Puerto Rico operations ..	(3,964)	(3.0)	(3,182)	(2.8)
Investment tax credits ...	(1,117)	(0.9)	(930)	(0.8)
Other	837	0.6	270	0.2
Actual tax provision	<u>\$61,127</u>	<u>46.7%</u>	<u>\$53,708</u>	<u>47.2%</u>

No provision has been made for United States income taxes on unremitted foreign earnings that are intended to remain permanently invested or that will be remitted in future tax-free liquidations. Such unremitted earnings aggregated \$103,442,000 at December 31, 1978.

The Company has two operating subsidiaries in Puerto Rico which are exempt from United States and Puerto Rico income taxes under tax exemption grants expiring in 1990 and 1992.

13. Segments of Business

The Company operates principally in seven industry segments. (For an explanation of the difference between the Company's industry segments and its operating divisions, see page 39 of this report.) The Health and Beauty Products segment manufactures and markets through various retail outlets products for toiletry and medicinal purposes which include petroleum jellies, lotions and cotton swabs, among others. In addition, this segment produces and markets in a similar manner a large number of cosmetic products including skin creams and lotions, make-up powders and foundations, lipsticks and nail and hair care products. The Packaged Foods segment manufactures and markets through retail stores specialty foods which include spaghetti and other sauces, meat tenderizers and seasonings. The Health-tex segment manufactures and distributes through retail stores permanent press knit and woven apparel for infants, toddlers and young boys and girls. The Prince Matchabelli segment manufactures and distributes through retail stores fragrances and fashion items which

include perfumes, colognes, bath oils, eye, lip and cheek make-up and beauty treatment items. The Bass segment manufactures and distributes casual footwear through retail stores. The Hospital Products segment manufactures and distributes supplies to hospitals, including sterile gauze dressings, cotton swabs, bandages, thermometers and various sets and devices for hospital use. The International segment manufactures and distributes toiletries, cosmetics, medicinal products, specialty foods, children's apparel, fragrances and fashion items, and hospital supplies. Intersegment sales, or transfers, are not material to the operations of any segment.

Information about the Company's operations in different industry segments for the years ended December 31, 1978, and 1977, follows:

Net Sales	1978	1977
Health and Beauty Products	\$200,128,000	\$182,398,000
Packaged Foods	182,717,000	145,883,000
Health-tex	160,320,000	143,751,000
Prince Matchabelli	111,379,000	95,999,000
Bass	28,798,000	—
Hospital Products	28,685,000	26,362,000
International	257,806,000	213,604,000
Total net sales	<u>\$969,833,000</u>	<u>\$807,997,000</u>

Income from Operations	1978	1977
Health and Beauty Products	\$ 34,642,000	\$ 33,248,000
Packaged Foods	27,312,000	23,346,000
Health-tex	15,661,000	20,496,000
Prince Matchabelli	22,452,000	20,598,000
Bass	5,885,000	—
Hospital Products	3,256,000	2,763,000
International	36,175,000	23,751,000
Total income from operations	<u>\$145,383,000</u>	<u>\$124,202,000</u>

Depreciation	1978	1977
Health and Beauty Products	\$ 2,613,000	\$ 2,337,000
Packaged Foods	2,296,000	2,165,000
Health-tex	2,867,000	2,656,000
Prince Matchabelli	737,000	650,000
Bass	297,000	—
Hospital Products	416,000	411,000
International	3,438,000	3,019,000
Total depreciation	<u>\$ 12,664,000</u>	<u>\$ 11,238,000</u>

Capital Expenditures	1978	1977
Health and Beauty Products	\$ 6,784,000	\$ 3,845,000
Packaged Foods	4,772,000	3,245,000
Health-tex	4,749,000	3,197,000
Prince Matchabelli	6,615,000	724,000
Bass	2,408,000	—
Hospital Products	1,554,000	486,000
International	8,031,000	6,454,000
Total capital expenditures	<u>\$ 34,913,000</u>	<u>\$ 17,951,000</u>

Identifiable Assets	1978	1977
Health and Beauty Products	\$114,101,000	\$ 95,289,000
Packaged Foods	93,452,000	90,280,000
Health-tex	109,343,000	91,388,000
Prince Matchabelli	81,560,000	68,171,000
Bass	47,413,000	—
Hospital Products	18,137,000	18,225,000
International	224,630,000	197,746,000
Total identifiable assets	688,636,000	561,099,000
Corporate assets (domestic cash and security investments)	17,619,000	14,330,000
Total assets	<u>\$706,255,000</u>	<u>\$575,429,000</u>

Information about the Company's operations in different geographic areas for the years ended December 31, 1978, and 1977, follows:

Net Sales	1978	1977
United States	\$712,027,000	\$594,393,000
Europe	101,949,000	80,338,000
Other	155,857,000	133,266,000
Total net sales	<u>\$969,833,000</u>	<u>\$807,997,000</u>

Income from Operations	1978	1977
United States	\$109,208,000	\$100,451,000
Europe	9,334,000	7,017,000
Other	26,841,000	16,734,000
Total income from operations	<u>\$145,383,000</u>	<u>\$124,202,000</u>

Identifiable Assets	1978	1977
United States	\$464,006,000	\$363,353,000
Europe	118,173,000	100,734,000
Other	106,457,000	97,012,000
Total identifiable assets	688,636,000	561,099,000
Corporate assets (domestic cash and security investments)	17,619,000	14,330,000
Total assets	<u>\$706,255,000</u>	<u>\$575,429,000</u>

14. Quarterly Data (unaudited)

The quarterly results were as follows:

(in thousands of dollars)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1978:				
Net sales	\$214,268	\$209,116	\$287,683	\$258,766
Gross profit	113,510	110,559	151,969	135,217
Net income	16,394	14,262	25,882	13,176
Earnings per share	.51	.44	.80	.41
Cash dividends per share	.23½	.23½	.23½	.23½
Stock price range:				
High	23⅞	27⅞	26⅞	25½
Low	20¼	22¼	23⅝	20½

1977:				
Net sales	\$190,429	\$183,701	\$232,636	\$201,231
Gross profit	100,808	98,507	123,552	104,551
Net income	15,196	12,617	21,830	10,447
Earnings per share	.47	.39	.68	.32
Cash dividends per share	.21	.21	.21	.21
Stock price range:				
High	26⅞	24¼	25⅞	23
Low	21⅞	20½	21¼	20⅞

15. Replacement Cost Information (unaudited)

The Securities and Exchange Commission requires the Company to present unaudited replacement cost information in its financial statements filed in Form 10-K, a copy of which is available upon request. This information indicates that it would cost the Company more to replace inventories and productive capacity than the amounts originally incurred to acquire such assets. In addition, estimated amounts of cost of products sold based on replacement cost of inventories at time of sale and depreciation based on average current replacement cost of productive capacity are greater than the related amounts based on historical cost. The Company has historically been able to compensate for cost increases by increasing operating efficiencies and sales prices to maintain an approximately constant gross profit percentage on sales. The additional investment required to replace productive capacity principally reflects the cumulative impact of inflation on these long-lived assets. The notes to the financial statements in the annual report to the Securities and Exchange Commission in Form 10-K include a more comprehensive discussion of replacement cost information.

The amounts disclosed in the unaudited replacement cost note in the Form 10-K are based on hypothetical assumptions and substantial subjective judgments and estimations. The replacement cost information should not be interpreted as indicative of the actual cost to be incurred in the future to replace the Company's productive capacity, nor should it be interpreted as indicative of the manner in which such capacity would actually be replaced.

Report of Certified Public Accountants

ARTHUR YOUNG & COMPANY

277 PARK AVENUE
NEW YORK, N. Y. 10017

To the Shareholders, Chesebrough-Pond's Inc.:

We have examined the accompanying consolidated balance sheet of Chesebrough-Pond's Inc. and subsidiaries at December 31, 1978 and 1977, and the related consolidated statements of income, shareholders' equity and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Chesebrough-Pond's Inc. and subsidiaries at December 31, 1978 and 1977, and the consolidated results of operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

February 21, 1979

Operating Results by Industry Segments

Chesebrough-Pond's Inc. and Subsidiaries

(in thousands of dollars)	1978	1977	1976	1975	1974
Net Sales					
Health and Beauty Products.	\$200,128	\$182,398	\$166,288	\$148,861	\$137,242
Packaged Foods	182,717	145,883	151,605	140,041	100,718
Health-tex	160,320	143,751	124,185	111,260	85,581
Prince Matchabelli	111,379	95,999	85,987	64,615	47,641
Bass	28,798	—	—	—	—
Hospital Products.	28,685	26,362	23,715	21,446	19,672
International	<u>257,806</u>	<u>213,604</u>	<u>195,206</u>	<u>188,360</u>	<u>170,403</u>
Total Net Sales	<u>\$969,833</u>	<u>\$807,997</u>	<u>\$746,986</u>	<u>\$674,583</u>	<u>\$561,257</u>
Income from Operations					
Health and Beauty Products.	\$ 34,642	\$ 33,248	\$ 30,280	\$ 25,865	\$ 20,936
Packaged Foods	27,312	23,346	21,408	20,935	18,938
Health-tex	15,661	20,496	18,257	16,267	12,528
Prince Matchabelli	22,452	20,598	20,846	14,197	9,271
Bass	5,885	—	—	—	—
Hospital Products.	3,256	2,763	2,303	1,698	1,268
International	<u>36,175</u>	<u>23,751</u>	<u>19,659</u>	<u>20,638</u>	<u>22,619</u>
Total Income from Operations	145,383	124,202	112,753	99,600	85,560
Other expense—net	<u>(14,542)</u>	<u>(10,404)</u>	<u>(7,966)</u>	<u>(10,060)</u>	<u>(4,371)</u>
Income before provision for taxes	<u>\$130,841</u>	<u>\$113,798</u>	<u>\$104,787</u>	<u>\$ 89,540</u>	<u>\$ 81,189</u>

The Company's industry segments are substantially consistent with its operating divisional structure. However, as required by Financial Accounting Standard No. 14, certain corporate expenses and export sales and related profits have been allocated to industry segments. Divisional information presented elsewhere in this report is before allocation of these corporate expenses and reflects export operations within the International Division, which is responsible for the selling, marketing and distribution of exported products.

The operating results, as discussed in the President's Letter and the Financial Review, are presented on an internal divisional basis.

Board of Directors

J. Edgar Bennett*
Group Vice President,
Chesebrough-Pond's Inc.

John F. Betts**
Retired Chairman of the Board,
Interpace Corporation
(construction products)

James D. Farley**
Executive Vice President,
Citibank, N.A.
(commercial bank)

Robert H. Mann*
Vice President, Secretary and
General Counsel,
Chesebrough-Pond's Inc.

Donald F. McCullough**
Chairman of the Board and
Chief Executive Officer,
Collins & Aikman Corporation
(textiles)

Alexander N. McFarlane**
Honorary Chairman of the Board,
CPC International Inc.
(food manufacturer)

Jane C. Pfeiffer**
Chairman,
National Broadcasting Company
(communications)

Louis Russek
Retired Chairman of the Board,
Health-tex Inc.

Frank L. Stamberg*
Group Vice President,
Chesebrough-Pond's Inc.

Ralph E. Ward*
Chairman, President and
Chief Executive Officer,
Chesebrough-Pond's Inc.

Donald G. Wiesen*
Group Vice President,
Chesebrough-Pond's Inc.

*Member of Operating Committee

**Member of Audit Committee

Officers

Ralph E. Ward
Chairman, President and
Chief Executive Officer

J. Edgar Bennett
Group Vice President

Frank L. Stamberg
Group Vice President

Donald G. Wiesen
Group Vice President

Robert H. Mann
Vice President, Secretary
and General Counsel

Robert W. Bennett
Vice President

George W. Bieler
Vice President
President, International Division

Robert A. Breakstone
Vice President
President, Health-tex Division

Charles J. Chapman, Jr.
Vice President
President, Packaged Foods Division

Ward J. Haas
Vice President

Donald Heller
Vice President

Kenneth R. Lightcap*
Vice President

George J. Luby
Vice President

Charles M. Morgan
Vice President
President, Bass Division

Robert M. Phillips
Vice President
President, Health and Beauty
Products Division

J. Donald Powers
Vice President and
Treasurer

W. Edward Sanford
Vice President
President, Prince Matchabelli Division

Richard P. Scheifele
Vice President

John D. White
Vice President
President, Hospital Products Division

William F. Gilroy
Controller

*Elected January 17, 1979

Corporate Data

Executive Offices
33 Benedict Place
Greenwich, Connecticut 06830
Telephone (203) 661-2000

Certified Public Accountants
Arthur Young & Company
277 Park Avenue
New York, New York 10017

Transfer Agent and Registrar
Morgan Guaranty Trust
Company of New York
30 West Broadway
New York, New York 10015

Stock Exchange Listings
New York Stock Exchange (CBM)
London Stock Exchange
Paris Bourse

Annual Meeting
The Annual Meeting of
Shareholders will be held
at 10:30 a.m. on Thursday,
May 3, 1979, at the Biltmore
Hotel, New York, New York.

Form 10-K
The Form 10-K Annual Report
filed with the Securities and
Exchange Commission may be
obtained upon request to
the Secretary of the Company.

Dividend Reinvestment Plan
The Company introduced a
Dividend Reinvestment Plan
in 1976. Shareholders interested
in participating in this service
are invited to write to
the Company's Transfer Agent,
listed above.

Chesebrough-Pond's Worldwide

Principal Products

International Branches and Subsidiaries

Argentina, Buenos Aires*
Australia, Melbourne*
Brazil, Sao Paulo*
Canada, Markham*/Peterborough*
Colombia, Bogota*
England, London*/Alfreton*
France, Paris/Pont de L'Arche*
Guatemala, Guatemala City
Hong Kong
India, Madras*
Indonesia, Jakarta*
Ireland, Dublin
Italy, Milan*
Japan, Tokyo*
Kenya, Nairobi*
Malawi, Blantyre*
Malaysia, Kuala Lumpur
Mexico, Cuernavaca*
Monaco, Monte Carlo*
New Zealand, Auckland
Nigeria, Apapa
Panama, Panama City*
Peru, Lima*
Philippines, Manila
Puerto Rico, San Juan
Rhodesia, Salisbury*
Singapore
South Africa, Germiston*
Spain, Madrid*
Switzerland, Geneva
Thailand, Bangkok
Trinidad, Port of Spain*
Venezuela, Caracas*
West Germany, Munich/
Oberndorf-Am-Neckar*
Zambia, Lusaka*

Overseas plants

In addition to maintaining plants in 25 countries, Chesebrough-Pond's uses the facilities of manufacturing and selling representatives in 51 other important markets.

Chesebrough-Pond's products are sold in 140 markets throughout the world.

Domestic Plant Locations

Alabama
Centreville
Gadsden
Guin
Huntsville
California
Merced
North Hollywood

Connecticut
Clinton

Kentucky
Owensboro

Maine
Brunswick
Gardiner
North Jay
Portland
Rumford
Wilton (2)

Missouri
Jefferson City

New Jersey
Perth Amboy

New York
Oriskany Falls
Rochester
Sherburne
Watertown

Puerto Rico
Cabo Rojo
Las Piedras

Rhode Island
Central Falls
Cumberland (2)

Virginia
Danville

Your recommendation of Chesebrough-Pond's products to friends is a valuable endorsement and a contribution to the Company's growth.

Proprietary and Specialty

- * Amoha shampoo
- * Busy Girl dry shampoo
- * Cotrino cotton swabs
- * Durban's toothpaste
- Extra strength
Vaseline Intensive Care lotion
- Groom & Clean hair dressing
- * Lord Chesebrough hair dressing
- * Lysoform cleanser/disinfectant
- Pertussin cough and cold products
- Q-tips cotton swabs and cotton balls
- Rave soft perm
- * Tricofilina shampoo
- * Vaseline Balanced Care shampoo
- * Vaseline hair spray
- Vaseline hair tonic
- Vaseline Intensive Care baby products
- Vaseline Intensive Care bath beads
- Vaseline Intensive Care lotion
- Vaseline Intensive Care
Wipe 'n Dipe wipes
- Vaseline lip balm
- Vaseline petroleum jelly

Cosmetics

- Aziza eye make-up
- Aziza lip gloss and blush
- Cutex nail polishes and polish removers
- Erno Laszlo skin care preparations
- * Louis Philippe cosmetics
- Odorono deodorant
- * Peggy Sage nail polishes and lipsticks
- Pond's Angel Face make-up
- Pond's beauty creams and lotions
- Pond's Cream & Cocoa Butter lotion
- Pond's talc and dusting powder

Packaged Foods

- Adolph's food specialties
- Ragú Italian cooking sauce
- Ragú spaghetti sauces

Children's Apparel

- Health-tex children's clothing

Footwear

- Bass footwear
- Sugarloafer footwear
- Sunjuns footwear
- Tacks footwear
- Weejuns footwear

Fragrances

- * Patrich's aftershave and cologne
- Prince Matchabelli Aviance fragrance
- Prince Matchabelli Cachet fragrance
- Prince Matchabelli Golden Autumn fragrance
- Prince Matchabelli Prophecy fragrance
- Prince Matchabelli Wind Song fragrance

Hospital Products

- Faichney and Ballo thermometers
- Triflo II incentive deep-breathing exerciser
- Uri-Drain male incontinence devices
- Vaseline sterile petrolatum gauze
- Xeroform dressings

* Sold abroad only

Chesebrough-Pond's Inc.

33 Benedict Place, Greenwich, Conn. 06830